

**School Board for the City of Norfolk**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**(A Component Unit of the City of Norfolk, Virginia)**

**Fiscal Year Ended June 30, 2010**

**Prepared by:**

**Division of Business and Finance Accounting Department**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)  
FISCAL YEAR ENDED JUNE 30, 2010**

**PREPARED BY DIVISION OF BUSINESS AND FINANCE ACCOUNTING DEPARTMENT**

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## INTRODUCTORY SECTION

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## **School Board for the City of Norfolk**

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**Dr. Kirk T. Houston, Sr.**  
Chair

**Mrs. Karen Jones Squires**  
Vice Chair

**Mr. James T. Driggers**  
Member

**Dr. Linda Horsey**  
Member

**Mrs. Suzan M. Kaufman**  
Member

**Dr. Linda B. McCluney**  
Member

**Dr. Stephen W. Tonelson**  
Member

**Richard Bentley, Ph.D.**  
Superintendent

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## **Members of Norfolk City Council**

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**Mr. Paul D. Fraim**  
Mayor

**Mr. Anthony L. Burfoot**  
Vice Mayor

**Mr. Andrew A. Protopyrou**  
Council Member

**Mr. Paul R. Riddick**  
Council Member

**Mr. Thomas R. Smigiel**  
Council Member

**Mr. Barclay C. Winn**  
Council Member

**Ms. Angelia M. Williams**  
Council Member

**Dr. Theresa W. Whibley**  
Council Member

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board for the  
City of Norfolk, Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**SCHOOL BOARD FOR THE CITY OF NORFOLK**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2009

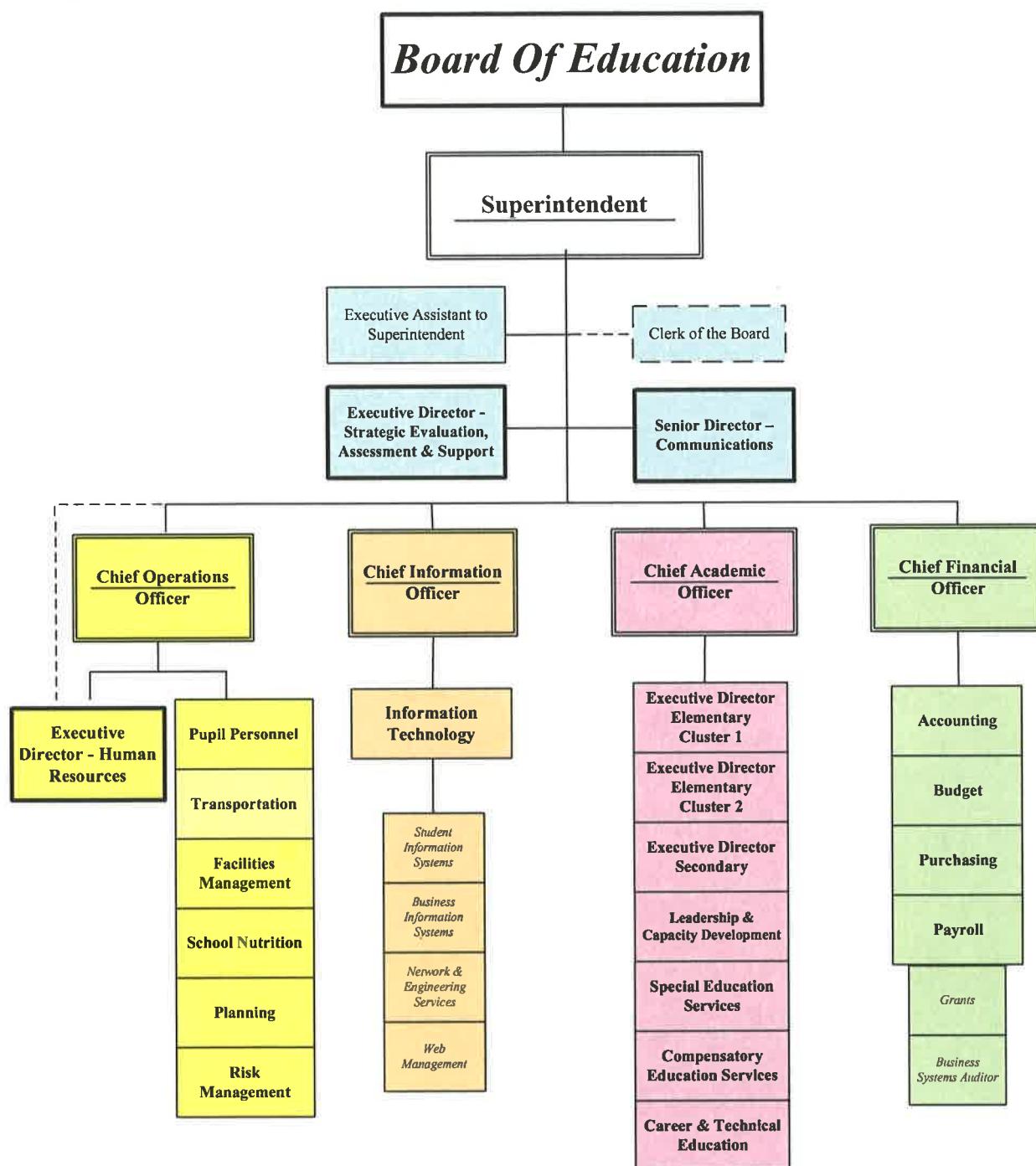
Upon recommendation of the Association's Panel of Review which has judged that the Report  
substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

*Angie Peteman*

President

*John D. Mease*

Executive Director



*Larger boxes indicate departments*



# Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

## Mission

To educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities.

## Vision

To provide a nationally recognized, globally competitive education for all Norfolk Public Schools students... and ALL means ALL!

## Values

As a school system, we value:

- Equity & Excellence
- Personal Accountability
- Diversity

## Operating Statement

Norfolk Public Schools will become a nationally recognized, globally competitive school system where:

- All students possess the habits of powerful literacy.
- All gaps close while achievement increases for all students.
- All schools exceed local, state, national and international standards.
- All students access productive options and opportunities upon graduation.

## Operating Principles

Norfolk Public Schools promotes leadership at all levels that encourages stakeholders to:

### Expect & Achieve Excellence

- Demonstrate high expectations for ALL
- Model pride & passion for the work

### Be a Team Player

- Capitalize on individual strengths
- Communicate & compromise
- Build strong, positive relationships

### Be Personally Accountable

- Accept responsibility for success
- Collaborate with stakeholders

### Promote Diversity

- Celebrate diversity of people and thought
- Contribute to an environment that supports diversity

### Be a Lifelong Teacher & Learner

- Create a community of learners

### Improve Continuously

- Use Data
- Expect & anticipate success
- Involve stakeholders

### Take Risks, Be Innovative, Have Fun

- Think creatively
- Reward success
- Learn from failure
- Never give up

Revised 06/09/2008



# Norfolk Public Schools

NATIONALLY RECOGNIZED. GLOBALLY COMPETITIVE.

December 21, 2010

To the Honorable Members of the School Board for the City of Norfolk and to  
the Constituents of Norfolk Public Schools:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board for the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year that ended June 30, 2010. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and includes all disclosures necessary to understand the School Board's financial activities. The responsibility for the accuracy, completeness and fairness of the data presented, as well as all accompanying disclosures, rests with the School Board and its management.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions, and the School Board. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). The letter of transmittal is intended to complement the required MD&A. The MD&A can be found immediately following the report of the independent auditors.

The firm of KPMG LLP performed the audit of the School Board for the City of Norfolk (City). They were awarded the contract to provide the annual financial audit for the year ending June 30, 2010, as part of a combined contract including the School Board for the City of Norfolk, The City of Norfolk, and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the School Division's financial reporting entity may be found in the notes to the basic financial statements. During school year 2009-2010, the School Board operated five high schools (grades 9-12), nine middle schools (grades 6-8), thirty-five elementary schools (grades K-5), and ten other educational facilities. The School Board served an average of 31,563 students in 2010 and provided a full range of educational services appropriate to grades K-12, including regular and enriched academic education, early childhood education, special education for handicapped children, vocational/technical education, and programs for those with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics. The School Board is considered a component unit of the City of Norfolk.

## ECONOMIC OUTLOOK

The City of Norfolk, Virginia has a population of 237,764 residents (from Weldon & Cooper Center for Public Services and U.S. Census Bureau in 2009) and encompasses over 66 square miles. It has beachfront that covers seven miles of Chesapeake Bay and a total of 144 miles of shoreline along lakes, rivers, and the Bay. Much of the land is located in residential neighborhoods. Norfolk's neighborhoods are its greatest strength. There are more than 120 neighborhoods that draw tourists who seek a glimpse of Norfolk's everyday life and developments that offer a range of architectural styles.

The City's top ten employers have approximately 93,314 employees in their workforce. Major industries include manufacturing, construction, retail, finance, and the military, to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine. USA Today called Norfolk one of the top ten booming downtowns, recognizing decades of housing, retail, and financial boom. In addition, the City is home to the Virginia Opera, the Virginia Stage Company, and the Virginia Symphony.

The public school system is comprised of 35 elementary schools, 9 middle schools, 5 high schools, and 10 auxiliary schools. The auxiliary schools provide education for vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$49,000 per year. City funding for the School Board is based on real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.11 per \$100 of assessed value annually. The personal property tax rate for motor vehicles is \$4.25 per \$100 of assessed value, using the NADA Blue Book value.

Norfolk Public Schools is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, Norfolk Public Schools does not levy taxes or issue debt. All funds are appropriated to Norfolk Public Schools by the City Council, which has the authority to tax and incur debt. The School Board derives its authority from the State and has a constitutional responsibility to provide public education to the citizens of Norfolk.

The School Board derives most of its funding from allocations from the Commonwealth of Virginia and the City of Norfolk. For the fiscal year 2010 budget year, the Commonwealth of Virginia funds 60% and the City of Norfolk funds 32% percent of the operating budget for the School Board. The remaining 8% is funded through Federal, including stimulus funds (6%) and other (2%) sources. Long-term financial planning includes a five-year forecast submission that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes.

The School Board faces funding reductions in the future from both the State and the City due to current economic conditions. Like most businesses, including the City, our operating costs continue to rise while revenue declines. In fiscal year 2011-12, the School Board faces a reduction totaling \$21 million, including a reduction in teaching staff as a result of declining enrollment. Each year as projected enrollment is considered, the School Board evaluates facilities, teaching and administrative staff to identify potential consolidations to maximize efficiencies for the district.

## **MAJOR INITIATIVES**

Quality schools are a key component in preserving the City's vitality. The over arching goal for the School Board is to become *world class* is by improving the quality of teaching and learning for ALL where ALL means ALL. A quality education will prepare each student to become a life-long learner that exceeds test scores and state standards. The School Board and its employees remain committed to the belief that ALL children can learn. The mission of the School Board is to educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities. Our world class targets are:

- All students possess the habits of powerful literacy
- All achievement gaps are eliminated while increasing the achievement for ALL
- All schools exceed local, state, national and international standards
- All students are prepared to access productive options and opportunities upon graduation.

As our global community continues to shrink, the need for world class education expands. That is why Norfolk Public Schools has essentially reinvented itself over the last decade. Today our accomplishments are being recognized across the country. Our students, teachers, principals, and administrators have earned national honors for innovation, accountability, and inclusion. In every neighborhood in Norfolk, our public schools are being nationally recognized for being globally competitive – a great testament to the wonderful work being achieved every single day.

The School Board capitalizes on the urban advantages of location, diversity, and vision to prepare powerfully literate and life-long learners. Families acknowledge that the school system is nationally recognized for academic programs, highly qualified faculty, and a commitment to ensuring that every child succeeds. We will continue to boost the achievement gap and close gaps among various ethnic groups and socioeconomic groups.

All accomplishments come during a period of significant financial stress for public education. However, the School Board has a continued commitment to finding administrative efficiencies that has allowed 78 percent of the 2010 General Fund expenditures to go directly for instructional support. This focus on direct classroom support maintains programs including class size; retaining core educational programs to meet Standards of Learning requirements; preserving core instructional programs; preserving specialty programs at secondary and elementary schools; maintaining recruitment and retention initiatives; and supporting assistance for all teachers.

In summary, the School Board will continue its journey to world-class status. Despite the tough economic times, the School Board remains resilient and committed to “weathering the storm”. As we continue to support one another, together we will make significant progress in improving achievement for all our students. The School Board and its employees will continue the work that is necessary for our students to have powerful teaching and learning opportunities.

## **FINANCIAL INFORMATION**

### **Internal Controls**

Internal controls are designed to provide reasonable assurance that assets of the reporting entity are protected from loss, theft, or misuse. In addition, internal controls are used to ensure that reliable financial records are maintained for preparation of financial statements that are in conformity with generally accepted accounting principles.

Internal control evaluations occur with the above guidelines when the annual audit process is undertaken, and the controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

#### Budgetary Controls

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. The School Board presents a proposed budget to the City who then adopts its own operating and capital project budgets incorporating its contributions to the School Board. After the School Board makes required adjustments, they adopt an amended budget. The Superintendent is authorized to make expenditures and commitments of funds as approved by the Board in the adopted annual budget in accordance with the Board's policies and applicable state and federal regulations and laws.

The School Board also maintains an encumbrance accounting system as one method of accomplishing budgetary control. Outstanding encumbrances are reported as a reservation of fund balance of the General Fund at year-end. The School Board must request re-appropriation from the City to retain any unexpended or unencumbered appropriated funds.

#### Financial Highlights

The School Board continues to be in very sound financial condition as demonstrated by the basic financial statements included in this report. The School Board has operated within the resources available while achieving many of its program goals.

The School Board for the City of Norfolk is a component unit of the City of Norfolk, Virginia, and the City is the legal holder of debt related to the acquisition of school facilities.

The School Board is anticipating, in the next few years, the continuation of a trend in declining in funding which began in fiscal year 2010. As public education is a services-oriented industry, approximately 88% of our operating costs are related to employee compensation and fringe benefits. Therefore, providing a competitive employee compensation package will continue to be very challenging.

#### Cash Management

The City Treasurer also serves as Treasurer for the School Board. As such, monies are transferred from the governing bodies to the School Board's cash account on an as-needed basis until year-end when the balances of the total appropriations are transferred.

The School Board funds are identified as public funds and are protected under the Virginia Security for Public Deposits Act. Deposits for public entities are insured by federal deposit insurance (FDIC).

#### Risk Management

The Risk Management Program currently involves maintaining several comprehensive insurance policies, monitoring various loss control activities, and a program to effectively manage claims

filed against the School Board. The School Board Risk Management Senior Director and his staff monitor all claims.

The School Board insurance coverage includes the following: a workers' compensation insurance policy, a comprehensive general liability policy, a property insurance policy, a boiler and machinery coverage policy, fleet insurance, umbrella liability policy, employee blanket bond, and a School Board errors and omissions policy.

The School Board maintains an ongoing program of risk management, primarily focusing on the support service areas. The loss control program is structured to reduce and control on-the-job injuries and accidents. The program also includes safety awareness training for higher risk categories of employees.

The School Board retains the professional services of Marsh of Norfolk, Virginia. This firm sends representatives to lead and participate in analyzing areas of concern and assist with ideas to reduce and control overall risk. The School Board plans to continue the current program and expand its parameters as needed to meet safety needs.

#### Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. In addition, an unqualified opinion of KPMG LLP, an independent audit firm, has been included in this report.

#### Single Audit Act

The School Board is required to undergo an annual single audit as part of the City in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal control and compliance with applicable laws regulations, contracts and grants, and a schedule of findings and questioned costs, if any, are included in the Comprehensive Annual Financial Report of the City of Norfolk.

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This is the fifth consecutive year that the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the School Board has received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Program (COE) for excellence in the preparation and issuance of the financial statements for fiscal year ended 2009.

The Certificate of Excellence in Financial Reporting Program was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to the school systems that have met or exceeded the standards of the program.

#### ACKNOWLEDGMENTS

We would like to express appreciation to the members of the School Board for the City of Norfolk for their concern in providing fiscal responsibility and accurate reporting of financial data to the students, parents, staff and general community of the School Board. The School Board's commitment to strong conservative policies and practices in the oversight of the financial affairs of the school division contributed to the results achieved in this financial report.

In addition, we would like to thank the members of the Business and Finance Division, who devote so many hours each year to the preparation of accurate financial reports. During the year, they render professional and knowledgeable services to and on behalf of the school division, and maintain the financial records on a current and timely basis. The School Board and the entire staff are commended for their continuing support that is vital to the financial health of the school division and demonstrates commitment to financial accountability and stewardship.

Respectfully submitted,

---

Richard L. Bentley, Ph.D.  
Superintendent of Schools



Mr. John A. Maniscalco, CPA  
Chief Financial Officer



Mrs. Mary C. Deneen, CGFM, CPA  
Senior Director, Accounting

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## FINANCIAL SECTION

## Independent Auditor's Report

The Chairman and Members  
School Board for the City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the Statement of Budgetary Comparison – General Fund, of the School Board for the City of Norfolk, Virginia, a component unit of City of Norfolk, Virginia as of and for the year ended June 30, 2010, which collectively comprise the School Board for the City of Norfolk, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board for the City of Norfolk, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board for the City of Norfolk, Virginia, as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of the School Board for the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 16, and the required supplementary information on page 39 and page 44 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board for the City of Norfolk, Virginia's basic financial statements. The introductory information, fiduciary assets and liabilities schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The fiduciary assets and liabilities schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

\_\_\_\_\_, 2011

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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## **INTRODUCTION**

Our discussion and analysis of the financial performance of the School Board for the City of Norfolk (School Board) of Norfolk, Virginia provides an overview of the school district's financial activities for the fiscal year ended June 30, 2010. The intent of this management's discussion and analysis is to look at the School Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

The School Board has prepared its annual financial report using the Governmental Accounting Standards Board financial reporting model. The reporting model is a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

- 1) Government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide a broad, long-term overview of the School Board's finances;
- 2) Fund financial statements, to include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, which provide a greater level of detail and focus on how well the School Board has performed in the short term in the most significant funds, and
- 3) Notes to the basic financial statements.

The report presents the financial highlights for the last fiscal year and contains other supplementary information.

## **OVERALL ANALYSIS**

The School Board enrolls approximately 36,000 total students with a general fund operating budget of \$327.2 million, grant budget of \$55.1 million, capital budget of \$3.0 million, and Child Nutrition Services budget of \$14.8 million. In general, the financial operations of the School Board have weathered uncertain financial times with generally positive financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2010 are as follows:

- On the government-wide financial statements:
  - Total net assets decreased from \$70.0 million in 2009 to \$29.8 million at June 30, 2010, a decrease of approximately \$40.2 million, or 57.4%. The decline was applicable primarily to the decision to move building improvements for two schools to the City.
  - Total revenues remained relatively constant from fiscal year 2009 to fiscal year 2010 with total revenues of \$378.6 million for fiscal year 2010. The Operating Grants and Contributions increased \$8.5 million between fiscal years.
  - Total expenses increased \$31.3 million on the Statement of Activities from \$387.4 million in fiscal year 2009 to \$418.7 million in fiscal year 2010, or 8.1%. The largest increase was in School facilities as a result of a transfer of building improvements, net to the City. This increase was offset by a decrease in other functional areas, with the largest decrease to Operation and Maintenance.
- On the fund financial statements:
  - In the General Fund, the ending fund balance increased from \$10.1 million in fiscal year 2009 to \$15.8 million in fiscal year 2010, or 56.4%. The fund balance increase was a result of an increase in revenue, combined with expenditure reductions in the majority of program areas in fiscal year 2010.
  - In the General Fund, fund balance reserved for encumbrance increased from \$5.8 million in 2009 to \$11.1 million in 2010 due to open encumbrances at the end of the fiscal year. Unreserved and undesignated fund balance increased slightly from \$2.0 million in 2009 to \$2.2 million in 2010 due to overall reduction in personnel expenses.

## **OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements provide readers with a broad overview of the School Board's finances in a manner similar to a private sector business. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School Board as a whole, presenting both an aggregate and a long-term view of finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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- The ***Statement of Net Assets*** presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of whether financial position is improving or deteriorating.
- The ***Statement of Activities*** presents information on activities that show how direct expenses for an activity versus program revenues received results in a *change to net assets*. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions with recovered costs through user fees and charges (*business-type activities*). The School Board reports only the governmental activities, since it has no business-type activities.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) present governmental activities of the School Board. The City, State sales tax, and intergovernmental revenues principally support these governmental activities. The reported governmental activities of the School Board are Instruction, Administration, Attendance and Health, Pupil Transportation, Information Technology, Operations and Maintenance, Facilities Management, Food Services, and Community Services.

The government-wide financial statements are presented in Exhibits I and II.

**Financial Analysis of the School Board as a Whole**

All of the School Board's services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services, food services, and community services. Intergovernmental revenues, interest, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

***Statement of Net Assets***

***(Thousands of dollars)***

Governmental Activities					
	2010	2009	Difference	% Change	
Current Assets	\$ 57,156	\$ 60,951	\$ (3,795)	-6.2%	
Capital assets, net	23,589	69,644	(46,055)	-66.1%	
Total assets	<u>80,745</u>	<u>130,595</u>	<u>(49,850)</u>	<u>-38.2%</u>	
Liabilities:					
Current	42,438	52,494	(10,056)	-19.2%	
Non-current	<u>8,481</u>	<u>8,125</u>	<u>356</u>	<u>4.4%</u>	
Total liabilities	<u>50,919</u>	<u>60,619</u>	<u>(9,700)</u>	<u>-16.0%</u>	
Net Assets:					
Invested in capital assets	23,589	69,644	(46,055)	-66.1%	
Restricted	611	1,002	(391)	-39.0%	
Unrestricted	<u>5,625</u>	<u>(670)</u>	<u>6,295</u>	<u>-939.6%</u>	
Total net assets	<u>\$ 29,825</u>	<u>\$ 69,976</u>	<u>\$ (40,151)</u>	<u>-57.4%</u>	

- **Total assets** had an overall decrease of 38.2% due primarily to a decline in capital assets, net, related to the decision to transfer certain building improvements, net, to the City. The overall decrease was \$49.9 million between fiscal year 2009 and fiscal year 2010.
- **Invested in capital assets** decreased \$46.1 million or 66.1% over the prior fiscal year. This net decrease represents \$3.8 million in additions, \$45.4 million in net disposals, and \$4.5 million in current year depreciation expense. The majority of the decrease was due primarily to the decision to transfer certain building improvements to the City.
- **Total liabilities** decreased \$9.7 million or 16.0% over the prior fiscal year. Non-current liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, general claims, OPEB, and pollution remediation liability for the School Board. Current liabilities decreased primarily due to reversing unearned revenue of \$6.1 million recorded in fiscal year 2009 which was a one-time revenue deferral authorized by the state to off-set the 2010 budgetary shortage. Non-current liabilities totaled \$8.1 million in fiscal year 2009 and \$8.5 million in fiscal year 2010. Non-current liabilities increased 4.4% due to an increase in the long-term portion of compensated absences.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

- **Total net assets** decreased \$40.2 million or 57.4% compared to the prior fiscal year. Net assets totaled \$70.0 million at June 30, 2009 and \$29.8 million at June 30, 2010. The overall decrease is due to a decrease in invested in capital assets, net and restricted (Capital Projects), offset with an increase in unrestricted funds. Invested in capital assets, net decreased 66.1% or \$46.1 million primarily because of the decision to transfer building improvements for two schools to the City. Restricted net assets decreased 39.0% or \$0.4 million due to a decrease in funds restricted for building improvement projects in fiscal year 2010. Unrestricted net assets increased 939.6% or \$6.3 million due to an increase in operating grants.

***Statement of Net Activities***

***(Thousands of dollars)***

	Governmental Activities			
	2010	2009	Difference	% Change
<b>Revenues:</b>				
Program Revenues:				
Charges for services	\$ 5,527	\$ 5,781	\$ (254)	-4.4%
Operating grants and contributions	238,021	229,557	8,464	3.7%
Capital grants and contributions	2,877	7,115	(4,238)	-59.6%
Total Program Revenues	<u>246,425</u>	<u>242,453</u>	<u>3,972</u>	<u>1.6%</u>
General Revenues:				
Use of money and property	799	1,499	(700)	-46.7%
Local government	101,011	104,511	(3,500)	-3.3%
Commonwealth of Virginia	30,267	30,102	165	0.5%
Other	74	200	(126)	100.0%
Total General Revenues	<u>132,151</u>	<u>136,312</u>	<u>(4,161)</u>	<u>-3.1%</u>
Total Revenues	<u>378,576</u>	<u>378,765</u>	<u>(189)</u>	<u>0.0%</u>
<b>Expenses:</b>				
Instruction	282,213	282,802	(589)	-0.2%
Support Services:				
Administration, Attendance and Health	13,396	13,414	(18)	-0.1%
Pupil Transportation	10,765	10,917	(152)	-1.4%
Operation and Maintenance	33,660	38,954	(5,294)	-13.6%
Information Technology	10,860	8,972	1,888	21.0%
School Facilities	52,851	17,151	35,700	208.2%
Food Services	14,676	14,918	(242)	-1.6%
Community Services	306	264	42	15.9%
Total Expenses	<u>418,727</u>	<u>387,392</u>	<u>31,335</u>	<u>8.1%</u>
Change in Net Assets	<u>(40,151)</u>	<u>(8,627)</u>	<u>(31,524)</u>	<u>365.4%</u>
Beginning Net Assets	<u>69,976</u>	<u>78,603</u>	<u>(8,627)</u>	<u>-11.0%</u>
Ending Net Assets	<u>\$ 29,825</u>	<u>\$ 69,976</u>	<u>\$ (40,151)</u>	<u>-57.4%</u>

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

- **Total revenues** decreased \$0.2 million or less than 1% due primarily to decreases in local government appropriations for operating and capital improvement projects combined with increases in operating grants and contributions related to ARRA funding. Capital Grants and Contributions decreased \$4.2 million or 59.6% while Local Government General Revenues decreased \$3.5 million or 3.3%. Operating Grants and Contributions increased \$8.5 million or 3.7% in 2010.
- **Total expenses** increased \$31.3 million primarily due to the decision to transfer building improvements, net for two schools to the City. The building improvements had a net book value of \$40.4 million. However, excluding the effect of these capital asset transactions, total expenses decreased \$13.0 million, due largely to budget cuts and the resultant decreases across the school system. The School Board continues to pay debt service expenses for the Transportation Facility. Overall expenses increased 8.1% in fiscal year 2010 over balances in fiscal year 2009.

**Capital Assets**

At June 30, 2010, the School Board had an investment of \$23.6 million in a broad range of capital assets (net of accumulated depreciation), including land, mobile classrooms, building improvements, equipment and vehicles. This amount represents a net decrease of \$46.1 million or 66.1% between fiscal year 2009 and 2010, as discussed above.

***Change in Capital Assets***

*(Thousands of dollars)*

	Governmental Activities			
	June 30, 2010	June 30, 2009	Difference	% Change
<b>Non-Depreciable Assets:</b>				
Land	\$ 488	\$ 488	\$ -	0.0%
Construction in Progress	-	4,944	(4,944)	-100.0%
<b>Total Non-Depreciable Assets</b>	<b>\$ 488</b>	<b>\$ 5,432</b>	<b>\$ (4,944)</b>	<b>-91.0%</b>
<b>Other Capital Assets:</b>				
Mobile Classrooms	5,423	5,194	229	4.4%
Building Improvements	22,935	85,410	(62,475)	-73.1%
Equipment and Vehicles	31,810	29,812	1,998	6.7%
<b>Total Other Capital Assets</b>	<b>\$ 60,168</b>	<b>\$ 120,416</b>	<b>\$ (60,248)</b>	<b>-50.0%</b>
<b>Total Capital Assets</b>	<b>\$ 60,656</b>	<b>\$ 125,848</b>	<b>\$ (65,192)</b>	<b>-51.8%</b>
<b>Less: Accumulated Depreciation</b>	<b>(37,067)</b>	<b>(56,204)</b>	<b>19,137</b>	<b>-34.0%</b>
<b>Total Capital Assets, Net</b>	<b>\$ 23,589</b>	<b>\$ 69,644</b>	<b>\$ (46,055)</b>	<b>-66.1%</b>

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

The \$23.6 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Assets (Exhibit I). In fiscal year 2010, the School Board spent \$3.3 million in construction costs related to various building improvement projects at school facilities. In fiscal year 2010, the School Board transferred building improvements, net for Coleman Place Elementary School and Blair Middle School to the City.

Additional information on the School Board's capital assets is presented in Note 2B of the financial statements.

**Long Term Obligations**

As of June 30, 2010, the School Board had \$15.8 million in long-term obligations versus \$16.1 million for fiscal year 2009. This resulted in a 2.2% decrease in long-term obligations, which is comprised of compensated absences, workers' compensation, claims liability, pollution remediation and OPEB liability. Approximately \$7.3 million in long-term obligations is due within one year (see Exhibit I).

Workers' compensation and claims liability for the School Board are actuarial projections of probable liability based on reasonable estimates of loss. The School Board provides for payment of losses through a combination of purchased policies and self-insurance plans.

***Change in Long-Term Obligations***

***(Thousands of dollars)***

	June 30, 2009	Additions	Retirements	June 30, 2010	Difference	% Change
<b>Long-Term Obligations:</b>						
Compensated Absences	\$ 10,040	\$ 8,667	\$ (9,437)	\$ 9,270	\$ (770)	-7.7%
Workers' Compensation	1,957	1,397	(952)	2,402	445	22.7%
Claims Liability	32	144	(144)	32	-	0.0%
Pollution Remediation	273	51	(209)	115	(158)	-57.9%
Other Post Employment Benefits	3,822	5,808	(5,683)	3,947	125	3.3%
Total Long-Term Obligations	\$ 16,124	\$ 16,067	\$ (16,425)	\$ 15,766	\$ (358)	-2.2%

Additional information showing the breakdown of the School Board's long-term obligations is presented in Note 2C of this report.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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**OVERVIEW OF FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All School Board funds are reported in the governmental funds.

**Governmental Fund**

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the School Board's operations and the services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The School Board fund financial statements provide detailed information about the most significant funds – not the School Board as a whole.

The School Board maintains four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for General, Grants, and Capital Project Funds, which are considered to be major funds. Data from the Child Nutrition Fund, which is considered a nonmajor fund, is shown in a single aggregated presentation.

The School Board adopts an appropriated budget for all of its major and nonmajor governmental funds and an annual budget for the General Fund. Budgetary comparison schedules have been provided in Exhibit V for the General Fund to demonstrate compliance with the annual budget.

As of June 30, 2010, the School Board's governmental funds reported combined fund balances of \$22.0 million, an increase of \$5.5 million, in comparison to the prior fiscal year. Approximately 20.1% of this total fund balance amount (\$4.4 million) constitutes unreserved fund balance, which is available for spending at the School Board's discretion. However, \$2.1 million or 9.6% has been designated for specific purposes within certain governmental funds

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

through the budget process. The remaining combined fund balances total is reserved to indicate that it is not available for new spending, due to being committed to liquidate outstanding contracts and purchase orders (encumbrances) of the prior fiscal year (\$14.9 million) and to account for inventories (\$0.6 million). Encumbrances increased \$6.4 million or 74.5% over the prior fiscal year. Included in this amount is approximately \$2.0 million encumbered for anticipated unemployment benefit payouts for personnel who were part of the personnel reduction at the end of fiscal year 2010.

The basic governmental fund financial statements are presented in Exhibits III and IV of this report.

**General Fund**

The General Fund is the general operating fund of the School Board that is used to account for all of the financial resources, except those required to be accounted for in another fund. At June 30, 2010, the fund balance of the General Fund was \$15.8 million. The fund has reserved and designated balances for encumbrances, inventories, and buses that total \$13.5 million.

**General Fund Revenues**

Revenues for the General fund totaled \$318.8 million for fiscal year 2010, which was approximately \$4.6 million or 1.4% lower than the revenues received in fiscal year 2009. The following illustration presents the amounts of revenues from the General Fund sources, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each revenue source.

***General Fund Revenues by Source  
(Thousands of Dollars)***

	2010 Amount	2010 Percent of Total	2009 Amount	Increase (Decrease) From 2009	% Increase (Decrease) 2009
Local government	\$ 101,011	31.7%	\$ 104,511	\$ (3,500)	-3.3%
Commonwealth of Virginia	188,792	59.2%	206,990	(18,198)	-8.8%
Federal government	25,370	8.0%	7,415	17,955	242.1%
Other revenues	3,657	1.1%	4,515	(858)	-19.0%
Total	\$ 318,830	100.0%	\$ 323,431	\$ (4,601)	-1.4%

The largest source of revenues is from the Local Government and the Commonwealth of Virginia. The Commonwealth of Virginia revenue includes funding for basic school aid, reimbursement of a portion of teachers' fringe benefits, salary support, remedial and vocational education, class size and at-risk initiatives, gifted and talented, special education, special educational regional programs and other purposes. The decline in other revenue is due primarily

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

to a decrease in interest income of approximately \$0.2 million and miscellaneous revenues of approximately \$0.6 million between fiscal years.

**General Fund Expenditures**

General Fund expenditures were \$313.2 million for fiscal year 2010, which represented a decrease of approximately \$13.0 million or 4.0% over fiscal year 2009. The following illustration presents the amounts of General Fund expenditures by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

***General Fund Expenditures***

***(Thousands of Dollars)***

	2010 Amount	2010 Percent of Total	2009 Amount	Increase/ (Decrease) From 2009	Percent Increase/ Decrease From 2009
Instruction	\$ 245,494	78.4%	\$ 254,601	\$ (9,107)	-3.6%
Support Services:					
Administration, Attendance and Health	12,998	4.1%	13,369	(371)	-2.8%
Pupil Transportation	10,503	3.4%	10,723	(220)	-2.1%
Operation and Maintenance	33,493	10.7%	35,881	(2,388)	-6.7%
Information Technology	7,639	2.4%	7,955	(316)	-4.0%
School Facilities	2,990	1.0%	3,643	(653)	-17.9%
Community Services	88	0.1%	49	39	79.6%
Subtotal - Support Services	67,711	21.6%	71,620	(3,909)	-5.5%
Total - Instruction and Support Services	\$ 313,205	100.0%	\$ 326,221	\$ (13,016)	-4.0%

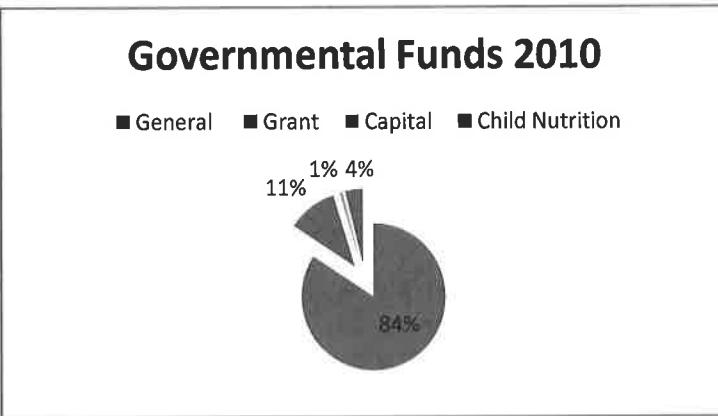
The decreases in all areas were related to budget cuts and resultant freezes on tuition reimbursement, faculty stipends and salary increases.

**Grant Funds**

The Grant Fund is a multi-year fund and as a result, does not have a legally adopted annual budget. Grants provide 11.1% of the overall funding for the School Board. The funds are received from Federal, state, and private agencies to provide for the instructional needs of students, training of teachers, and/or purchase of equipment that is needed for the educational process.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010



During fiscal year 2010, the School Board received \$42.1 million in grant funding. The Federal Government provided 84.1% or \$35.4 million in revenue for the year. The Commonwealth of Virginia provided 15.6% or \$6.5 million while private donors provided less than 1.0% or \$0.1 million of the resources received. The School Board expended \$42.1 million that was used 100% for instruction and instructional support.

#### Capital Projects Fund

The School Board's Capital Projects Fund is funded by the City. The Capital Projects Fund is considered multi-year funding for spending purposes. It makes up 1% (see chart above) of the overall governmental funds received and expended during the fiscal year. The capital funds are used for the infrastructure of the schools and auxiliaries. Capital Project Funds expended \$3.3 million and were used by the School Board to implement various building improvement projects at school facilities. The City provided 100% of the revenue received for these projects in fiscal year 2010.

In May 2010, the City Council appropriated construction funds for fiscal year 2011 to continue future construction projects. The City budgeted \$15.2 million in construction funds for the Crossroads Elementary School project and building improvement projects have been allocated \$3.0 million for a total of \$18.2 million of construction funds.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School Board. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the School Board's programs.

The School Board's Fiduciary funds consist of agency funds and School Activity Funds. The agency funds consist primarily of fiscal agencies for the Governor's School for the Arts and the Southeastern Cooperative Educational Programs. The School Activity Funds consist primarily of student clubs and restricted donations for the individual schools.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The School Board's Fiduciary funds are Agency funds. Agency funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds do not involve the measurement of results of operations, as they are custodial in nature (*assets equal liabilities*).

The Statement of Fiduciary Assets and Liabilities is presented in Exhibit VI of this report.

### **NOTES TO THE FINANCIAL STATEMENTS**

The Notes to the Basic Financial Statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

The Notes to the Basic Financial Statements begin after Exhibit VI of this report.

### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the School Board's progress in funding the retirement benefits for its nonprofessional employees through the Virginia Retirement System (VRS) and Other Post Employment Benefits (OPEB). Both the VRS and OPEB are presented as part of the basic financial statements rather than required supplementary information.

Required supplementary information on these retirement benefits is presented in the Notes to the Basic Financial Statements.

### **BUDGETARY HIGHLIGHTS**

Budgets are prepared on a basis consistent with the Commonwealth of Virginia statutes for the General Fund, Grant Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations in the General Fund lapse at the fiscal year end. In June 2010, the School Board adopted a balanced budget for fiscal year 2011 that reflected appropriations of \$295.7 million for the General Fund.

During the budgetary process there were certain revenue and expenditure assumptions made to get to the final amount for fiscal year 2011.

#### **Revenue assumptions included:**

- Reduction in State revenues as proposed by the 2010 General Assembly Budget; \$26.1 million
- Reduction of \$6.0 million in one-time State Carry Forward Funds used in Fiscal 2010
- Reduction in Federal Impact Aid funding of \$0.7 million

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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- Reduction in Federal State Stabilization Funds from ARRA in 2009; \$8.1 million
  - Use of 2008-2010 Composite Index of 25.88% “frozen” as adopted by the General Assembly
  - Request for increased funding approved by the City of Norfolk of \$3.5 million.

**Expenditure assumptions included:**

- All existing programs and departments have been evaluated for efficiency and cost benefit.
- Several programs have been eliminated such as support for Community Resource Centers, Coronado, Minority-Majority, Cultural Enrichment, Chrysalis.
- Standards of Quality (SOQ) funded positions were more closely aligned with state funding at the new lower funding level that has now become permanent.
- Reduction of 387 positions based on SOQ and decreasing student enrollment.
- No pay increases for any employee groups.
- Virginia Retirement System (VRS) rate changes:
  - Professional from 13.81% to 9.83%
  - Non-professional from 12.60% to 13.53%.
- Other rate changes are:
  - Group Life Insurance from 0.90% to .28%
  - Retiree Health care credit from 1.04% to 0%.
- Worker’s Compensation and Unemployment increases by 0.5%.
- Health insurance is estimated to increase by 12.5%.
- One year suspension of tuition reimbursement benefit.

**Factors Influencing Future Budgets:**

- Increased employer contributions for employee health insurance
- Funding other post-employment benefits (OPEB) for retirees
- Provide competitive salaries and pay increases for retention of teachers
- Professional growth and development of teachers
- Funding of No Child Left Behind legislation
- Inadequate state and federal funding
- Continue to fund and strengthen the effort for full Standards of Learning accreditation
- Continue to fund various academic programs
- Decrease in the local tax base
- Declining enrollment
- Uncertainty of sales tax and federal impact aid revenue
- Future funding for construction projects
- Decline in federal stimulus funding

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

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**VIRGINIA RETIREMENT SYSTEM (VRS) FUNDING**

During fiscal year 2010, the Commonwealth of Virginia initiated certain responsive actions to the economic downturn that will continue to affect Norfolk Public Schools. Through changes in certain actuarial assumptions for VRS-sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The impact of these deferrals reduced pension related costs of Norfolk Public Schools in fiscal year 2010 and will also decrease pension related costs in fiscal year 2011. The legislation requires that this deferral of costs begin to be replenished starting in fiscal year 2012 and will continue until fully replenished in fiscal year 2021. Ultimately, it is likely that there will be significant increases in the local employer costs to be funded in order to meet the VRS's ability to meet its future payment obligations.

**REQUESTS FOR INFORMATION**

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School Board's finances and to demonstrate compliance and accountability for its resources. Questions about any information provided in this report or requests for additional financial information should be addressed to John A. Maniscalco, CPA, Chief Financial Officer or Mary C. Deneen, CGFM, CPA, Senior Director, Accounting for the School Board for the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, at (757) 628-3482 and (757) 628-3883, respectively. Please visit our website at: <http://www.nps.k12.va.us> for a complete copy of the Comprehensive Annual Financial Report (CAFR) and other financial information.

**Exhibit I**

**School Board for the City of Norfolk  
Statement of Net Assets  
June 30, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash, cash equivalents, and investments	\$ 30,605,516
Accounts receivable	93,964
Due from primary government	313,707
Due from the Federal government	7,005,913
Due from the Commonwealth of Virginia	17,362,768
Due from other agencies	1,197,522
Inventories	<u>576,237</u>
Total current assets	<u>57,155,627</u>
Noncurrent Assets:	
Capital Assets (Note 2):	
Land	487,500
Mobile classrooms, building improvements, equipment and vehicles	23,101,571
net of accumulated depreciation and amortization	<u>23,589,071</u>
Total capital assets, net	<u>23,589,071</u>
Total assets	<u>80,744,698</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Vouchers payable	6,268,327
Retainage payable	98,584
Payroll deductions and withholdings	2,280,648
Accrued payroll	25,067,602
Unearned revenue	181,511
Other payables	1,256,395
Long-term liabilities - current portion	<u>7,284,981</u>
Total current liabilities	<u>42,438,048</u>
Non-current liabilities	<u>8,481,337</u>
Total liabilities	<u>50,919,385</u>
<b>NET ASSETS</b>	
Invested in capital assets	23,589,071
Restricted for:	
Capital Projects	577,601
Grants	33,873
Unrestricted	<u>5,624,768</u>
Total net assets	<u>\$ 29,825,313</u>

See Notes to the Basic Financial Statements.

**School Board for the City of Norfolk**  
**Statement of Activities**  
**For the Year Ended, June 30, 2010**

							Net (Expense) Revenue and Changes in Net Assets
							<b>Governmental Activities</b>
							<b>Program Revenues</b>
			<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		
		<b>Expenses</b>					
<b>Functions/Programs:</b>							
<b>Governmental Activities:</b>							
Instruction	\$	282,212,884	\$ 2,947,233	\$ 225,951,016	\$ -		\$ (53,314,635)
Administration, Attendance, and Health		13,396,081	-	-	-		(13,396,081)
Pupil Transportation		10,764,910	-	-	-		(10,764,910)
Operation and Maintenance		33,659,588	-	-	-		(33,659,588)
Information Technology		10,859,888	-	-	-		(10,859,888)
School Facilities		52,851,373	-	-	2,877,379		(49,973,994)
Food Services		14,676,269	2,579,214	12,070,174	-		(26,881)
Community Services		306,178	-	-	-		(306,178)
Total		<u>\$ 418,727,171</u>	<u>\$ 5,526,447</u>	<u>\$ 238,021,190</u>	<u>\$ 2,877,379</u>		<u>(172,302,155)</u>
General revenues:							
Use of money and property							798,664
Other							74,114
Intergovernmental:							
Local government							101,011,131
Commonwealth of Virginia							30,267,308
Total							<u>132,151,217</u>
Change in net assets							(40,150,938)
Net assets-beginning							69,976,251
Net assets-ending							<u>\$ 29,825,313</u>

**Exhibit III**

**School Board for the City of Norfolk  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	General Fund	Grants	Capital Projects	Nonmajor Funds Child Nutrition	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 26,139,295	\$ 13,766	\$ -	\$ 4,452,455	\$ 30,605,516
Accounts receivable	76,238	5,960	-	11,766	93,964
Due from other funds	3,974,151	-	552,509	688,415	5,215,075
Due from the primary government	-	-	313,708	-	313,708
Due from the Federal government	407,516	5,854,132	-	744,265	7,005,913
Due from the Commonwealth of Virginia	14,939,805	2,422,963	-	-	17,362,768
Due from other agencies	1,197,522	-	-	-	1,197,522
Inventories	260,209	-	-	316,028	576,237
Total assets	<b>\$ 46,994,736</b>	<b>\$ 8,296,821</b>	<b>\$ 866,217</b>	<b>\$ 6,212,929</b>	<b>\$ 62,370,703</b>
<b>LIABILITIES</b>					
Vouchers payable	\$ 5,402,380	\$ 524,713	\$ 190,032	\$ 151,202	\$ 6,268,327
Retainage payable	-	-	98,584	-	98,584
Payroll deductions and withholdings	2,280,648	-	-	-	2,280,648
Accrued payroll	22,292,283	2,341,649	-	433,670	25,067,602
Due to other funds	-	5,215,075	-	-	5,215,075
Unearned revenue	-	181,511	-	-	181,511
Other payables	1,256,395	-	-	-	1,256,395
Total liabilities	<b>31,231,706</b>	<b>8,262,948</b>	<b>288,616</b>	<b>584,872</b>	<b>40,368,142</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	11,134,373	2,518,033	1,035,268	204,119	14,891,793
Inventories	260,209	-	-	316,028	576,237
Unreserved, reported in:					
Designated:					
General Fund - Bus Replacements	2,121,630	-	-	-	2,121,630
Undesignated:					
General Fund	2,246,818	-	-	-	2,246,818
Grants Fund	-	(2,484,160)	-	-	(2,484,160)
Capital Projects Fund	-	-	(457,667)	-	(457,667)
Child Nutrition Fund	-	-	-	5,107,910	5,107,910
Total fund balances	<b>15,763,030</b>	<b>33,873</b>	<b>577,601</b>	<b>5,628,057</b>	<b>22,002,561</b>
Total liabilities and fund balances	<b>\$ 46,994,736</b>	<b>\$ 8,296,821</b>	<b>\$ 866,217</b>	<b>\$ 6,212,929</b>	<b>\$ 62,370,703</b>

See Notes to the Basic Financial Statements.

(Con't.)

**Exhibit III (Con't.)**

**School Board for the City of Norfolk  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2010**

Fund balances--total governmental funds \$ 22,002,561

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,589,071
 Long-term obligations, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(9,269,981)
Workers Compensation	(2,402,161)
Claims Liability	(32,237)
Other Post Employment Benefits	(3,946,940)
Pollution Remediation	(115,000)
 Net Assets of Governmental Activities	 <u>\$ 29,825,313</u>

**See Notes to the Basic Financial Statements.**

**Exhibit IV**

**School Board for the City of Norfolk**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Grants</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Child Nutrition</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Use of money and property	\$ 635,718	\$ -	\$ -	\$ 162,946	\$ 798,664
Charges for services	2,947,233	- -	- -	2,579,214	5,526,447
Other	73,249	149,601	- -	865	223,715
Intergovernmental :					
Local government	101,011,131	- -	2,877,379	- -	103,888,510
Commonwealth of Virginia	188,792,034	6,548,042	- -	242,509	195,582,585
Federal government	25,370,355	35,358,292	- -	11,827,665	72,556,312
Total revenues	<u>318,829,720</u>	<u>42,055,935</u>	<u>2,877,379</u>	<u>14,813,199</u>	<u>378,576,233</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	245,493,688	38,573,679	33,766	- -	284,101,133
Administration, Attendance, and Health	12,997,915	- -	- -	- -	12,997,915
Pupil Transportation	10,503,485	- -	- -	- -	10,503,485
Operation and Maintenance	33,492,731	202,322	- -	- -	33,695,053
Information Technology	7,638,601	2,835,881	190,761	- -	10,665,243
School Facilities	2,783,710	- -	- -	- -	2,783,710
Food Services	- -	220,931	- -	14,500,422	14,721,353
Community Services	88,324	217,854	- -	- -	306,178
Intergovernmental for Debt Service:					
School Facilities	206,478	- -	- -	- -	206,478
Capital Outlay:					
School Facilities	- -	- -	3,049,139	- -	3,049,139
Total expenditures	<u>313,204,932</u>	<u>42,050,667</u>	<u>3,273,666</u>	<u>14,500,422</u>	<u>373,029,687</u>
Excess (deficiency) of revenues over expenditures	<u>5,624,788</u>	<u>5,268</u>	<u>(396,287)</u>	<u>312,777</u>	<u>5,546,546</u>
Net change in fund balance	5,624,788	5,268	(396,287)	312,777	5,546,546
Fund balances--beginning	10,138,242	28,605	973,888	5,315,280	16,456,015
Fund balances--ending	<u>\$ 15,763,030</u>	<u>\$ 33,873</u>	<u>\$ 577,601</u>	<u>\$ 5,628,057</u>	<u>\$ 22,002,561</u>

See Notes to the Basic Financial Statements.

(Con't.)

**Exhibit IV (Con't.)**

**School Board for the City of Norfolk  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2010**

Net change in fund balances--total governmental funds \$ 5,546,546

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Add capital acquisitions	3,867,667
Subtract depreciation expense (Note 2)	(4,505,549)
Subtract Disposals, including movement of schools to City (Note 2)	<u>(45,417,430)</u> (46,055,312)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	769,856
Workers Compensation	(444,471)
Claims Liability	(695)
Other Post Employment Benefits	(124,366)
Pollution Remediation	157,504

Change in Net Assets of Governmental Activities \$ (40,150,938)

**See Notes to the Basic Financial Statements.**

**School Board for the City of Norfolk**  
**Statement of Budgetary Comparison - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Variance with</b>	
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>		<b>Final Budget Over/(Under)</b>	
<b>Resources (inflows)</b>						
Local sources	\$ 5,620,300	\$ 5,623,470	\$ 3,656,200	\$ (1,967,270)		
Commonwealth of Virginia	202,148,277	202,145,107	188,792,034	(13,353,073)		
Federal government	18,406,628	18,406,628	25,370,355	6,963,727		
Local government	101,011,131	101,011,131	101,011,131	-		
Amounts available for appropriation	<u>327,186,336</u>	<u>327,186,336</u>	<u>318,829,720</u>	<u>(8,356,616)</u>		
<b>Charges to appropriations (outflows)</b>						
Instruction	\$ 253,569,437	\$ 253,504,425	\$ 247,283,386	\$ (6,221,039)		
Administration, Attendance, and Health	14,363,377	14,412,634	13,112,365	(1,300,269)		
Pupil Transportation	11,853,281	11,853,281	10,990,671	(862,610)		
Operation and Maintenance	34,972,699	34,994,719	35,270,992	276,273		
Information Technology	7,616,011	7,611,746	7,650,126	38,380		
School Facilities	4,762,620	4,760,620	4,157,535	(603,085)		
Community Services	48,911	48,911	88,324	39,413		
Total charges to appropriations	<u>327,186,336</u>	<u>327,186,336</u>	<u>318,553,399</u>	<u>(8,632,937)</u>		
Budgetary fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,321</u>	<u>\$ 276,321</u>		

**Reconciliation of Budgetary Inflows and Outflows with Revenues and Expenditures in Exhibit IV:**

**Sources/Inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule, above	\$ 318,829,720
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 318,829,720</u>

**Uses/Outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above	\$ 318,553,399
Difference - budget to GAAP:	
Encumbrance change between fiscal years	<u>(5,348,467)</u>
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	<u>\$ 313,204,932</u>

**See Notes to the Basic Financial Statements.**

**Exhibit VI**

**School Board for the City of Norfolk  
Statement of Fiduciary Net Assets  
For the Year Ended June 30, 2010**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash, cash equivalents, and investments held for:	
Southeastern Cooperative Education Program	\$ 11,573,380
Governor's School for the Arts	35,643
School Activity Funds	<u>2,321,394</u>
	<u>\$ 13,930,417</u>
Total assets	<u><u>\$ 13,930,417</u></u>
<b>LIABILITIES</b>	
Amounts held for others	<u>\$ 13,930,417</u>
Total liabilities	<u><u>\$ 13,930,417</u></u>

**See Notes to the Basic Financial Statements.**

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**Note 1. Summary of Significant Accounting Policies**

The accounting policies of the School Board for the City of Norfolk, Virginia (School Board) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The School Board is responsible for elementary and secondary education within the City of Norfolk (City). The School Board is governed by an appointed seven-member board that serves staggered terms and is vested with policy making and budgetary authority. The School Board works in conjunction with the Superintendent. The Superintendent is the executive and administrative head of the School Board. City Council approves the School Board's operating budget, levies taxes to finance operations, and approves the borrowing of money and the issuance of bonds, when necessary. The School Board receives local, state, and federal government funding and must adhere to the legal requirements of each funding entity.

The School Board is considered a component unit of the City due to its fiscal dependence on the primary government. Therefore, the School Board's financial position and results of operations are presented in the City's Comprehensive Annual Financial Report (CAFR). The School Board does not have any component units for financial reporting purposes.

**B. Government-wide and Fund Financial Statements**

The basic financial statements and required supplementary information include both the government-wide (presentation of the School Board as a whole) financial statements (i.e. Statement of Net Assets and Statement of Activities) and fund financial statements. While previous reporting models emphasized fund types (i.e. the total of all funds of a particular fund type), the current reporting model emphasizes either the School Board as a whole or a major individual fund within the basic financial statements and required supplementary information.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction and Food Services). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity, and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other items not attributable to program revenues are reported as general revenues.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operational or capital) grants while the capital grants column reflects capital-specific grants.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a full accrual basis and the economic resources measurement focus. This basis incorporates long-term assets and receivables and long-term obligations. School Board funds that involve internal activity are eliminated for financial presentation purposes.

Fund financial statements are provided for governmental and fiduciary funds. Please note that the School Board does not have proprietary funds. The School Board's fiduciary funds are presented in the fund financial statements by type (agency). Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2010.

## **GOVERNMENTAL FUNDS**

**General Fund** – The General Fund is the general operating fund of the School Board and is used to account for all financial resources except for those accounted for in another fund. Revenues are derived primarily from Federal (including impact aid and grants), state (including basic aid, grants, and sales tax), and local governments. The General Fund is always considered a major fund for government-wide reporting purposes.

**Grants Fund** – The Grants Fund is used to account for proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions and finance expenditures for specified purposes. Grants are funded by federal, state, and private, agencies. The Grants Fund is considered a major fund for government-wide reporting purposes.

**Capital Projects Fund** - The Capital Projects Fund accounts for all of the financial resources used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund for government-wide reporting purposes.

**Child Nutrition Fund** – The Child Nutrition Fund is used to account for proceeds of specific revenue sources that are restricted by legal and regulatory provisions that finance expenditures for food services. Child Nutrition is funded by state and federal agencies. The Child Nutrition Fund is considered a non-major fund for government-wide reporting purposes.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**FIDUCIARY FUND**

**Agency Funds** – Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations, and other governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Agency Funds of the School Board are funds held for School Activity Funds and fiscal agencies (Governor's School for the Arts and Southeastern Cooperative Educational Programs).

**C. Basis of Accounting and Measurement Focus**

The government-wide Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The effects of inter-fund activity have been eliminated from the government-wide financial statements.

The accounting and financial reporting treatment related to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet for governmental funds. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. The full accrual basis of accounting is used by the agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the most part, revenues are considered available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, if measurable.

The following is a list of major revenue sources, which meet the “susceptible to accrual” criteria:

- Commonwealth of Virginia
- Federal Government
- Local Government
- Interest on Deposits

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**D. Budgets and Budgetary Accounting**

The Superintendent is required by Section 22.1-92 of the Code of Virginia, as amended, to prepare, with the approval of the School Board, and submit to the City Council "the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public School Board." Before the School Board gives final approval to its general operating, grants, child nutrition, and capital projects budgets, the School Board is required to hold at least one public hearing.

The City Manager is required by the City Charter to present a proposed operating budget, which includes the School Board's operating budget, at least 60 days before the beginning of each fiscal year that begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper undesignated fund balances. The necessary budget ordinances are also submitted at this time. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment.

An annual budget is legally adopted for the General Fund. The budget for this fund is adopted on a budgetary basis generally consistent with the modified accrual basis except that expenditures are budgeted in the year that the applicable purchase orders or other contractual commitments are expected to be issued. The legal level of budgetary control for the General Fund is at the category (i.e. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; Information Technology; School Plant and Food Services) level; while Grants and Capital Projects, which are budgeted on a multi-year basis, are at the fund level. These categories or funds cannot legally be exceeded. In addition, certain controls are exercised administratively on all funds. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures (including encumbrances) with the amended budgets.

Accordingly, the Budgetary Comparison Schedule presents actual expenditures in accordance with the legally adopted budget as amended. Due to the difference in the basis of accounting for budgetary and fund accounting purposes, Exhibit V provides reconciliation between the budgetary basis and fund financial accounting (modified accrual) basis. Unencumbered appropriations on the annual budget lapse at the end of each fiscal year for funds with annual budgets. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**E. Assets, Liabilities and Fund Equity**

**DEPOSITS AND INVESTMENTS**

**Deposits** - All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (“Act”), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by the federal depository issuance. At June 30, 2010, the carrying amount of cash deposits for the School Board, including agency funds of \$13,930,417, was \$13,102,897.

**Investments** - Virginia State statutes authorize the School Board to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Developments (“World Bank”) and Asian Development Bank; the African Development Bank; “prime quality” commercial paper and certain corporate notes; bankers acceptances; money market mutual funds, and the State Treasurer’s Local Government Investment Pool (“LGIP”).

At June 30, 2010, the School Board has investments of \$31,433,036 in an Aaa rated money market mutual fund. The School Board pools money from several funds to facilitate disbursement and investment and to maximize overnight investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Custodial Credit Risk – Deposits** - All deposits of the School Board are held in designated official depositories and are collateralized in accordance with the Virginia Security for Public Deposits Act (“the Act”), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by the Federal Depository Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool’s collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying the local governments of compliance by banks.

**Custodial Credit Risk – Investments** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments that are in the possession of outside parties. The investments for the School Board are held in a money market mutual fund. There is no custodial credit risk associated with the money market fund.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**Interest Rate and Foreign Currency Risk** - The School Board does not have interest rate or foreign currency risk.

### **RECEIVABLES AND PAYABLES**

All inter-fund receivables and payables are displayed in the fund statements as "Due to/Due From Other Funds." These amounts offset each other and are eliminated from the Government-Wide Statement of Net Assets, so as to not overstate the assets and liabilities. All trade receivables are reported net of an allowance for uncollectible accounts. Accounts that are more than a year old with no formal agreement for repayment are deemed "uncollectible" and written off. There were no uncollectible accounts for fiscal year 2010.

### **INVENTORIES**

Governmental fund inventories consist of expendable materials and supplies that are recorded as expenditures when consumed. The governmental fund inventories reported on the combined balance sheet for governmental funds are offset by fund balance reserves that indicate that they do not constitute resources available for appropriation even though they are a component of net current assets. The weighted average cost method is used to record inventories.

The Child Nutrition Fund's inventories also include United States Department of Agriculture ("USDA") commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$258,484 at year-end.

### **CAPITAL ASSETS**

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent of the School Board's capitalization threshold of \$5,000 and arrangements with the City. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Mobile Classrooms	20 years
Building Improvements	10 years
Equipment	3 to 20 years
Vehicles	10 to 12 years

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful life are capitalized. Upon sale or retirement of land, building improvements, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any relating gain or loss is included in the results of operations.

School buildings are the property of the City of Norfolk and are carried on their financial statements for reporting purposes. Under Section 15.2-1800.1 of the Virginia State Code, the City has a “tenancy in common” with the School Board.

### **COMPENSATED ABSENCES**

The School Board accrues compensated absences (annual and sick leave benefits) when vested. The current and non-current portions are recorded in the School Board government-wide financial statements. The School Board has vacation and sick leave that accumulates monthly. Vacation leave is fully vested when earned by School Board employees. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Employees may accumulate an unlimited number of sick leave days; however, the School Board makes no payment on the unused portion upon employment termination. Employees are paid \$20 for each day of accumulated sick leave upon retirement. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

The estimated amount of the accrued compensated leave for the School Board’s government activities are reported in the government-wide financial statements. The information is reported in Note 2C.

### **NET ASSETS/FUND BALANCES**

Net assets in government-wide financial statements are classified as invested in capital assets, net of related obligations; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state statute.

In the governmental fund financials, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. State law restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred

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revenue arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year. The governmental fund types classify fund balances as follows:

**Reserved**

Reserved for encumbrances – Portion of fund balance available for appropriation to pay for commitments related to unperformed contracts and unfulfilled purchase orders.

Reserved for inventories – Portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for projects – Portion of fund balance not available for appropriation because it represents the funds allocated for specific projects.

**Unreserved**

Designated for future expenditures – Portion of total fund balance available for appropriation that has been designated by the School Board for the adopted 2010 – 2011 budget ordinance.

Undesignated – Portion of total fund balance available for appropriation that is uncommitted at year-end.

**F. Encumbrances**

Encumbrance accounting, in which purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation), is followed in the General, Grants, Capital Projects, and Child Nutrition Funds. Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis. Fund balances have been reserved equal to the outstanding encumbrances at June 30 in the governmental funds.

**Note 2. Detail Notes on All Funds**

**A. Inter-fund Receivables and Payables**

The composition of inter-fund receivables and payable balances as of June 30, 2010 is as follows:

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	Due From (Receivables)	Due to (Payables)
<b>Major Funds:</b>		
General Fund	\$ 3,974,151	\$ -
Grants Fund	-	5,215,075
Capital Projects	552,509	-
<b>Non-Major Funds:</b>		
Child Nutrition Fund	688,415	-
	<hr/> <u>\$ 5,215,075</u>	<hr/> <u>\$ 5,215,075</u>

Per the City of Norfolk Charter and the Virginia State Code, all deposits must be deposited into the General Fund as public deposits for the School Board. Due to/due from accounts are created as a result.

## B. Capital Assets

### Changes in Capital Assets

	Capital Assets June 30, 2009	Additions	Deletions	Capital Assets June 30, 2010
Capital assets, not being depreciated				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in Progress	4,944,606	-	(4,944,606)	-
Total capital assets, not being depreciated	<hr/> <u>5,432,106</u>	<hr/> <u>-</u>	<hr/> <u>(4,944,606)</u>	<hr/> <u>487,500</u>
Capital assets, being depreciated				
Mobile Classrooms	5,194,094	229,168	-	5,423,262
Building improvements	85,409,543	6,219,957	(68,694,298)	22,935,202
Equipment and vehicles	29,812,159	2,363,148	(365,185)	31,810,122
Total capital assets, being depreciated	<hr/> <u>120,415,796</u>	<hr/> <u>8,812,273</u>	<hr/> <u>(69,059,483)</u>	<hr/> <u>60,168,586</u>
Less accumulated depreciation for:				
Mobile Classrooms	(2,323,990)	(269,743)	-	(2,593,733)
Building improvements	(32,968,355)	(2,164,359)	23,282,476	(11,850,238)
Equipment and vehicles	(20,911,174)	(2,071,447)	359,577	(22,623,044)
Total accumulated depreciation	<hr/> <u>(56,203,519)</u>	<hr/> <u>(4,505,549)</u>	<hr/> <u>23,642,053</u>	<hr/> <u>(37,067,015)</u>
Total capital assets being depreciated, net	<hr/> <u>64,212,277</u>	<hr/> <u>4,306,724</u>	<hr/> <u>(45,417,430)</u>	<hr/> <u>23,101,571</u>
Total capital assets, net	<hr/> <u>\$ 69,644,383</u>	<hr/> <u>\$ 4,306,724</u>	<hr/> <u>\$ (50,362,036)</u>	<hr/> <u>\$ 23,589,071</u>

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**Depreciation expense by function for the year ended June 30, 2010 follows:**

Instruction	\$ 860,855
Administration, Attendance, and Health	338,413
Pupil Transportation	381,700
Operation and Maintenance	350,176
Information Technology	281,570
School Facilities	2,169,564
Food Services	123,271
Total	<u>\$ 4,505,549</u>

Effective July 1, 2009, the Norfolk Public Schools transferred building improvements for Coleman Place Elementary School and Blair Middle School to the City. The net book value of the building improvements at June 30, 2009 was \$40,387,140. In addition, Norfolk Public Schools will no longer report Construction in Progress (CIP) for major building improvement projects.

Norfolk Public Schools implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective July 1, 2009. Implementation of this statement did not have a material impact on Norfolk Public Schools.

### **C. Long-Term Obligations**

The following is a summary of the changes in long-term obligations for the year ended June 30, 2010:

	<b>Balance</b>	<b>Balance</b>		
	<b>June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2010</b>
<b>Long-Term Obligations:</b>				
Compensated absences	\$ 10,039,837	\$ 8,667,591	\$ (9,437,447)	\$ 9,269,981
Workers' compensation	1,957,690	1,396,887	(952,416)	2,402,161
Claims liability	31,542	144,548	(143,854)	32,236
Pollution remediation	272,504	51,481	(208,985)	115,000
Other post employment benefits	3,822,574	5,807,574	(5,683,208)	3,946,940
<b>Total Long-Term Obligations</b>	<b>\$ 16,124,147</b>	<b>\$ 16,068,081</b>	<b>\$ (16,425,910)</b>	<b>\$ 15,766,318</b>

The amounts due within one year for compensated absences, workers' compensation, claims' liability and pollution remediation as of June 30, 2010 are \$6,952,486, \$190,094, \$27,401,

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and \$115,000, respectively, and have typically been paid by the general and grants fund. Other Post Employment Benefits has no amount that is considered current.

**Note 3. Contingencies**

**A. Litigation**

The School Board, as of June 30, 2010, is a named defendant in various lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

**B. Intergovernmental Grants**

The School Board has received proceeds from several Federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying basic financial statements for the refund of grant monies.

**Note 4. Joint Ventures**

**A. Southeastern Cooperative Educational Programs**

The Southeastern Cooperative Educational Programs ("SECEP") is a public body established in accordance with the Code of Virginia, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$7,214,339 to SECEP during the fiscal year ended June 30, 2010. The School Board is the fiscal agent for SECEP and the assets it holds for SECEP are included in Agency Funds.

**B. The Governor's School for the Arts**

The Governor's School for the Arts (Governor's School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public School Boards of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member

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from each division that governs it. Students attend regular high school part of the day and the Governor's School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Financial information for the Governor's School can be obtained from the Governor's School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$173,423 to the Governor's School during the fiscal year ended June 30, 2010. The School Board is the fiscal agent for Governor's School and the assets it holds for the Governor's School are included in Agency Funds.

**Note 5. Self-Insurance Program**

The School Board is self-insured for a portion of its risks. This self-insurance is for workers' compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2010 was \$1,754,455. Settlements paid over the past three years have not exceeded insurance coverage paid during that time.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance line item of the General Fund, Grant Fund, and Child Nutrition Services Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2010, workers' compensation and claims liability totaling \$2,216,902 are reported as long-term liabilities. These liabilities are the School Board's best estimate based on currently available information.

The following is a summary of the changes (current and long-term) in the self-insurance program for the years ended June 30, 2010 and 2009:

	<b>June 30, 2010</b>		<b>June 30, 2009</b>	
	Workers' Compensation	Claims' Liability	Workers' Compensation	Claims' Liability
Balance, beginning of year	\$ 1,957,690	\$ 31,542	\$ 1,626,399	\$ 45,125
Claims and other changes	1,396,887	144,548	1,149,986	192,809
Employer payments	(952,416)	(143,854)	(818,695)	(206,392)
Balance, end of year	<b>\$ 2,402,161</b>	<b>\$ 32,236</b>	<b>\$ 1,957,690</b>	<b>\$ 31,542</b>

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**Note 6. Retirement and Other Post-Employment Benefits**

**A. Virginia Retirement System**

**PLAN DESCRIPTION**

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement.

The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from their website at <http://www.varetire.org/Pdf/2009AnnuRept.pdf> or obtained by writing the System at P. O. Box 2500, Richmond, VA 23218-2500.

**FUNDING POLICY**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution for its employees. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

The School Board's professional contribution rate for the fiscal year ended June 30, 2010, was 8.81% of covered payroll for the first nine months of the fiscal year and zero for the last three months of the fiscal year (not including assumed 5%). The School Board's contributions to the VRS (including assumed 5%) for the years ended June 30, 2010, 2009 and 2008 for professional employees were \$24,885,620, \$30,638,660 and

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\$35,441,832, respectively; such amounts comprising 100% of the required statutory contributions for each of the three years.

The School Board's nonprofessional employees' contribution rate for the fiscal year ended June 30, 2010 was 6.95% of annual covered payroll (not including assumed 5%). Further information regarding funding for the agent-multiple employer plan is disclosed below.

**Annual Pension Cost – Agent Multiple-Employer Plan**

For the fiscal year ended June 30, 2010, the School Board's annual pension cost of \$1,937,143 for nonprofessional employees was equal to the School Board's required and actual contributions.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$1,937,143	100 %	\$ -
June 30, 2009	\$2,025,771	100 %	\$ -
June 30, 2008	\$2,284,422	100 %	\$ -

The fiscal year 2010 required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.5% investment rate of return (net of administration expenses), (b) projected salary increases of 3.75% to 5.6%, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2007 actuarial valuation was 20 years.

**Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the agent multiple employer plan was 87.53% funded. The actuarial accrued liability for benefits was \$74,800,079, and the actuarial value of assets was \$65,474,071, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,326,008. The covered payroll (annual payroll of active employees covered by the plan) was \$16,948,926 and the ratio of the UAAL to the covered payroll was 55.02%. The June 30, 2009 valuation reflects a change to the asset valuation method. The method used for the 2007 and 2008 valuations was a five-year

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smoothed market value of assets, but not less than 80% or more than 120% of the market value of assets. VRS has elected to suspend this corridor for the June 30, 2009 valuation.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**Schedule of Funding Progress for Non-professional Employees**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b)	(c) Funded Ratio	Covered Payroll	[(b-a)/c)] UAAL as a Percentage of Covered Payroll
June 30, 2007	\$61,180,012	\$66,118,525	\$4,938,513	92.53%	\$15,236,207		32.41%
June 30, 2008	\$66,558,849	\$72,573,728	\$6,014,879	91.71%	\$17,520,165		34.33%
June 30, 2009	\$65,474,071	\$74,800,079	\$9,326,008	87.53%	\$16,948,926		55.02%

**Superintendent Defined Contribution Retirement Plan**

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by the VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2009 that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia statute. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000. The Virginia Retirement System was the administrator of the plan and State Street Bank was the trustee during the fiscal year. Fixed plan contributions for the year ended June 30, 2010 were \$22,227.

**B. Other Post Employment Benefits**

**PLAN DESCRIPTION**

In addition to the pension benefits described, the School Board currently provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who

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retire from the School Board with 5 years of service, have attained the age of 50, and were hired prior to July 1, 2008. Effective July 1, 2013, all retirees, hired prior to July 1, 2008 who have not obtained the age of 50 at July 1, 2013 will need 15 years of service to qualify for the benefit. All employees hired on or after July 1, 2008 will need 15 years of service to qualify regardless of when they attained the age of 50. At June 30, 2010, 866 retirees met the eligibility requirements and have elected to receive this benefit. The School Board has agreed to pay for each retiree who has elected to continue health care coverage the sum of \$75 per month towards the cost of their health care benefit. Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. The School Board has the authority to amend the plan's provisions. The plan is considered a single-employer plan. The plan does not issue a stand-alone financial statement.

The School Board implemented Governmental Accounting Standards Board (GASB) Statement 45, "*Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*" in the fiscal year ended June 30, 2008. GASB Statement 45 requires the Plan Sponsor to record the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions are less than this expense.

The fundamental principle underlying the GASB statement is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit contributions. The *normal cost* is an annual amount which would be sufficient to fund the plan benefits (net of retiree contributions) if it were paid from each employee's date of hire until termination or retirement. Under the method used, the normal cost is determined as a percentage of pay. This means the underlying dollar amount is expected to increase each year as salary increases. The *actuarial liability* represents the portion of the value of the projected benefit at retirement that is allocated to service earned prior to the valuation date; that is, it represents the accumulation of past normal costs from date of hire until the valuation date. The *unfunded actuarial liability* represents the excess of the actuarial liability over plan assets. The *pay-as-you-go cost* represents the expected annual cost of health coverage less retiree contributions for current and future retirees based on the valuation assumptions. This figure can be significantly higher than the premiums because the premiums primarily reflect the cost of active, not retiree, coverage.

## **METHODOLOGY**

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination and retirement.

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**PAY-AS-YOU-GO FUNDING**

Currently, the School Board pays a set amount towards the monthly premiums of retirees. Retirees are allowed to purchase health care using the same premium structure as active employees.

The actuarial liability of the Plan as of July 1, 2009 is \$80.3 million as shown below:

<b>Pay-As-You-Go Funding (4.5% assumed discount) (\$ in millions)</b>		
<b>Actuarial Liability</b>		
Actives	\$ 51.0	
Retirees	29.3	
<b>Total</b>	<b>\$ 80.3</b>	
<b>Assets</b>	<b>\$ -</b>	
<b>UAL</b>	<b>\$ 80.3</b>	

The annual required contribution (ARC) consists of two parts: (1) the *normal cost* which represents the annual cost attributable to service earned in a given year, and (2) the 30-year amortization of the unfunded actuarial liability (UAL). The contributions to the plan consist of both the explicit subsidy (\$75 per month) and an implicit subsidy. The implicit subsidy arises from the fact that the School Board pays the same monthly premium to insure pre-Medicare retirees as it pays for active employees. If the premium structure were to be changed to separately identify premiums for these two groups you would see a much lower premium for actives than for retirees. The difference is the implicit subsidy that the School Board is paying. The combination of the implicit and explicit subsidies is known as the pay-as-you-go cost (PAYGo cost).

The ARC was computed for 2010 under the pay-as-you-go funding method and an assumed 4.5% discount rate. The table includes the PAYGo cost and the net difference:

<b>GASB ARC - FY 2010 Pay-As-You-Go Funding (4.50% assumed discount) (\$ in millions)</b>		
Normal Cost	\$ 2.84	
UAL Amortization	2.68	
Interest	0.25	
<b>Total ARC</b>	<b>\$ 5.77</b>	
PAYGo Cost (Contributions made - including implicit subsidy)	\$ 5.68	
ARC in excess of PAYGo Cost	\$ 0.09	

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**Schedule of Employer Contribution**  
**(\$ in millions)**

Fiscal Year Ended June	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation at end of year
2008	\$4.82	53%	\$2.26
2009	\$4.02	61%	\$3.82
2010	\$5.81	98%	\$3.95

**Schedule of Employer Contribution**

The Schedule of Employer Contribution shows whether the employer has made contributions that are consistent with a sound actuarial method of funding the benefits to be provided.

**Development of Net OPEB Obligation**

The development of net OPEB obligation shows the accumulation of actual contributions less expense (ARC). The net OPEB obligation will increase as actual contributions are less than the calculated ARC payments. If contributions exceed ARC payments, the net OPEB obligation will decrease. The net OPEB obligation is shown on the Schools financial statements.

**Development of Net OPEB Obligation**

<b>Net OPEB Obligation/Asset as of June 30, 2008</b>	\$ 2,261,000
Actuarial Required Contribution (ARC) for FY 2009	3,992,589
Interest on Net OPEB	106,267
Adjustment to ARC	<u>(81,116)</u>
Annual OPEB Cost (AOC)	\$ 4,017,740
Employer Contributions FY 2009 - including implicit rate subsidy	\$ (2,456,166)
	<u>\$ 3,822,574</u>
Actuarial Required Contribution (ARC) for FY 2010	\$ 5,768,710
Interest on Net OPEB Obligation (NOO)	172,016
Adjustment to ARC	<u>(133,152)</u>
Annual OPEB Cost (AOC)	\$ 5,807,574
Employer Contributions FY 2010 - including implicit rate subsidy	\$ (5,683,208)
<b>Net OPEB Obligation as of June 30, 2010</b>	<u><u>\$ 3,946,940</u></u>

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The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	30 years rolling
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.50%
Rate of salary increases	4.50%
Rate of Medical Inflation	10% (pre-Medicare) or 10% (post-Medicare) grading to 5.5% over 15 years

In determining the ARC, the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Cost or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

#### **Funded Status and Funding Progress**

As of July 1, 2009 the most recent actuarial valuation date, the OPEB plan was 0% funded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$80.3 million. The covered payroll was \$199 million and the ratio of the UAAL to the covered payroll was 40.3%.

#### **REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

##### **Schedule of Funding Progress**

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability (AAL) under GASB is determined assuming that the Plan is ongoing and the participants continue to terminate employment, retire, etc., in accordance with actuarial assumptions.

**SCHOOL BOARD FOR THE CITY OF NORFOLK  
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

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**Schedule of Funding Progress**  
**(\$ in millions)**

Actuarial Valuation Date	Actual Value of Assets (a)	Actuarial		Unfunded		UAAL as a Percentage of Covered Payroll [(b-a)/c]
		Accrued (AAL) (b)	Liability (UAAL) (c)	Accrued Liability (UAAL)	Funded Ratio (a/b)	
July 1, 2007	\$0	\$59.7	\$59.7	0%	\$235	25.4%
July 1, 2008	\$0	\$51.5	\$51.5	0%	\$194	26.5%
July 1, 2009	\$0	\$80.3	\$80.3	0%	\$199	40.3%

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## **OTHER SUPPLEMENTARY INFORMATION**

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**Schedule 1**

**School Board for the City of Norfolk**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2010**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2010</b>
<hr/>				
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 9,279,765	\$ 56,935,650	\$ 52,284,998	\$ 13,930,417
Total Assets	<hr/> <u>\$ 9,279,765</u>	<u>\$ 56,935,650</u>	<u>\$ 52,284,998</u>	<u>\$ 13,930,417</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 9,279,765	\$ 56,935,650	\$ 52,284,998	\$ 13,930,417
Total Liabilities	<hr/> <u>\$ 9,279,765</u>	<u>\$ 56,935,650</u>	<u>\$ 52,284,998</u>	<u>\$ 13,930,417</u>

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# STATISTICAL SECTION (UNAUDITED)

The overall financial health is presented for the School Board and/or the City of Norfolk. The School Board is a component unit of the City. Where applicable and available, ten years worth of financial data is presented.

## **Contents**

### **Financial Trends**

These schedules contain trend information that is intended to assist readers in understanding and assessing how the government's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information that is intended to assist readers in understanding and assessing the government's most significant local revenue sources.

### **Debt Capacity**

These schedules present information that is intended to assist readers in assessing the affordability of the government's current levels of outstanding debt, and its ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to assist readers in understanding the environment within which the government's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to assist readers in understanding how the information in the government's financial report relates to the services the government provides and the activities it performs.

(UNAUDITED)

Schedule 1

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Net Assets by Category**  
**Last Nine Fiscal Years**  
**(Amounts in thousands)**

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008 (Note2)	2009	2010
<b>Government-wide:</b>									
Invested in capital assets	\$ 37,686	\$ 36,313	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064	\$ 71,813	\$ 69,644	\$ 23,589
Restricted	9,483	7,315	9,931	6,400	19,045	9,006	1,837	1,002	611
Unrestricted	12,389	15,589	12,065	16,849	6,213	8,334	4,953	(670)	5,625
Total government-wide net assets	\$ 59,558	\$ 59,217	\$ 54,839	\$ 71,114	\$ 75,755	\$ 83,404	\$ 78,603	\$ 69,976	\$ 29,825

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

## (UNAUDITED)

## Schedule 2

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
**(Amounts in thousands)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
		As Restated	As Restated							
<b>Expenses:</b>										
Instruction	\$ 213,991	\$ 228,397	\$ 235,930	\$ 257,416	\$ 256,730	\$ 261,248	\$ 279,282	\$ 282,802	\$ 282,213	
Support Services:										
Administration, Attendance and Health	10,441	10,425	10,593	10,879	11,846	11,690	13,312	13,414	13,396	
Pupil Transportation	9,655	9,826	12,109	7,076	9,988	10,588	10,913	10,917	10,765	
Operation and Maintenance	27,962	28,505	27,936	29,101	34,112	35,398	36,258	38,954	33,660	
Information Technology	5,113	6,004	6,678	10,239	9,222	9,608	8,950	8,972	10,860	
School Facilities	8,068	19,416	14,071	4,621	5,348	27,473	16,099	17,151	52,851	
Food Services	15,129	5,882	12,373	13,035	13,700	12,837	14,533	14,918	14,676	
Other							224	264	306	
Total Expenses	<b>290,359</b>	<b>308,455</b>	<b>319,690</b>	<b>332,367</b>	<b>340,946</b>	<b>368,842</b>	<b>379,571</b>	<b>387,392</b>	<b>418,727</b>	
<b>Revenues:</b>										
Program Revenues:										
Charges for services	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,527	
Operating grants and contributions	193,508	201,923	177,124	196,556	194,023	226,323	224,043	229,557	238,021	
Capital grants and contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	
Total Program Revenues	<b>203,973</b>	<b>217,635</b>	<b>195,604</b>	<b>212,439</b>	<b>220,945</b>	<b>243,173</b>	<b>239,234</b>	<b>242,453</b>	<b>246,425</b>	
Net (Expense) Revenue	<b>(86,386)</b>	<b>(90,820)</b>	<b>(124,086)</b>	<b>(119,928)</b>	<b>(120,001)</b>	<b>(125,669)</b>	<b>(140,337)</b>	<b>(144,939)</b>	<b>(172,302)</b>	
General Revenues:										
Use of money and property	1,846	1,624	2,290	1,874	2,863	3,840	2,325	1,499	799	
Other	-	-	-	103	63	53	51	200	74	
Commonwealth of Virginia			27,399	32,220	32,239	31,830	32,292	30,102	30,267	
Local government	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	
Total General Revenues	<b>85,729</b>	<b>90,478</b>	<b>119,709</b>	<b>126,062</b>	<b>127,760</b>	<b>133,318</b>	<b>135,763</b>	<b>136,312</b>	<b>132,151</b>	
Change in Net Assets	<b>\$ (657)</b>	<b>\$ (342)</b>	<b>\$ (4,377)</b>	<b>\$ 6,134</b>	<b>\$ 7,759</b>	<b>\$ 7,649</b>	<b>\$ (4,574)</b>	<b>\$ (8,627)</b>	<b>\$ (40,151)</b>	

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

**Schedule 3**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 9,470	\$ 10,334	\$ 14,398	\$ 11,481	\$ 5,617	\$ 8,332	\$ 12,273	\$ 8,483	\$ 6,034	\$ 11,394
Unreserved	6,704	9,332	9,099	8,549	19,154	5,233	6,037	4,445	4,104	4,369
Total General Fund	16,174	19,666	23,497	20,030	24,771	13,565	18,310	12,928	10,138	15,763
Grant Fund										
Reserved	3,843	3,097	-	2,084	314	2,430	1,472	91	1,822	2,518
Unreserved	(3,843)	(2,028)	789	(2,033)	-	-	-	-	(1,793)	(2,484)
Total Grant Fund	-	1,069	789	51	314	2,430	1,472	91	29	34
Capital Projects Fund										
Reserved	-	-	-	5,198	1,066	11,157	641	2,851	681	1,035
Unreserved	-	-	-	-	-	-	1,483	(1,105)	293	(457)
Total Capital Projects Fund	-	-	-	5,198	1,066	11,157	2,124	1,746	974	578
Non-Major Fund:										
Child Nutrition Services Fund										
Reserved	118	5,443	4,447	780	637	969	1,245	1,230	710	520
Unreserved	3,649	2,971	2,079	4,295	4,743	4,792	5,116	4,541	4,605	5,108
Total Child Nutrition Services Fund	3,767	8,414	6,526	5,075	5,380	5,761	6,361	5,771	5,315	5,628
Total Other Governmental Funds	3,767	9,483	7,315	10,324	6,760	19,348	9,957	7,608	6,318	6,240
Total Fund Balance, Governmental Funds	\$ 19,941	\$ 29,149	\$ 30,812	\$ 30,354	\$ 31,531	\$ 32,913	\$ 28,267	\$ 20,536	\$ 16,456	\$ 22,003

## (UNAUDITED)

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

**Schedule 4**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES</b>										
Use of money and property	\$ 1,692	\$ 1,705	\$ 1,517	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840	\$ 2,325	\$ 1,499	\$ 799
Charges for services	4,527	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526
Other	241	223	1,093	1,173	526	324	209	51	508	224
Intergovernmental :										
Local government	81,713	84,839	98,216	99,950	100,652	103,093	108,681	109,441	111,034	103,889
Commonwealth of Virginia	165,659	157,380	161,705	165,375	185,870	190,200	206,170	208,271	212,885	195,582
Federal government	34,461	40,627	40,709	40,733	43,147	46,475	52,436	48,659	47,058	72,556
Total revenues	<b>288,293</b>	<b>289,702</b>	<b>308,113</b>	<b>315,313</b>	<b>338,501</b>	<b>348,705</b>	<b>376,491</b>	<b>374,997</b>	<b>378,765</b>	<b>378,576</b>
<b>EXPENDITURES</b>										
Current:										
Instruction	186,989	212,042	226,640	233,019	261,225	256,649	278,272	285,213	286,995	284,101
Administration, Attendance, and Health	-	10,359	10,347	10,452	11,057	11,683	11,836	13,457	13,370	12,998
Pupil Transportation	-	9,575	9,752	11,940	7,193	10,390	10,416	10,896	10,723	10,504
Operation and Maintenance	12,466	27,743	28,297	27,549	29,595	32,262	33,648	33,778	36,058	33,695
Information Technology	-	5,071	5,962	6,600	10,365	8,786	9,435	8,818	8,770	10,665
School Facilities	284	7,755	19,105	13,749	4,385	13,726	23,612	15,178	3,427	2,784
Food Services	-	15,109	5,811	12,204	13,254	13,587	13,685	14,870	15,135	14,721
Other	-	411	269	-	-	-	-	294	264	306
Support Activities and facilities	57,326	-	-	-	-	-	-	-	-	-
Categorical grants	31,273	-	-	-	-	-	-	-	-	-
Intergovernmental for Debt Service:										
School Facilities	284	276	267	258	250	241	232	224	216	206
Capital Outlay:										
School Facilities	-	-	-	-	-	-	-	-	7,887	3,049
Total expenditures	<b>288,622</b>	<b>288,341</b>	<b>306,450</b>	<b>315,771</b>	<b>337,324</b>	<b>347,324</b>	<b>381,136</b>	<b>382,728</b>	<b>382,845</b>	<b>373,029</b>
Excess (deficiency) of revenues over expenditures	(329)	1,361	1,663	(458)	1,177	1,381	(4,645)	(7,731)	(4,080)	5,547
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in from primary government										
Transfers in	-	-	-	4,172	-	10,054	-	303	-	-
Transfers out	-	-	-	(4,172)	-	(10,054)	-	(303)	-	-
Total other financing sources and uses				-	-	-	-	-	-	-
Net change in fund balance	<b>(329)</b>	<b>1,361</b>	<b>1,663</b>	<b>(458)</b>	<b>1,177</b>	<b>1,381</b>	<b>(4,645)</b>	<b>(7,731)</b>	<b>(4,080)</b>	<b>5,547</b>
Debt service as a percentage of noncapital Expenditures	0.12%	0.10%	0.09%	0.08%	0.07%	0.07%	0.06%	0.06%	0.06%	0.06%

## (UNAUDITED)

Schedule 5

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Program Revenues by Function (Optional Schedule)**  
**Last Nine Fiscal Years**  
**(Amounts in thousands)**

Function/Program	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
	(As Restated)		(As Restated)							
Charges for Services										
Instruction	\$ 2,093	\$ 1,936	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907	\$ 3,190	\$ 2,895	\$ 2,947	
Food Services	2,835	2,937	3,821	4,029	3,121	3,248	3,060	2,886	2,579	
Subtotal of Charges for Services	4,928	4,873	6,780	6,469	5,750	5,155	6,250	5,781	5,526	
Operating Grants and Contributions										
Instruction	185,752	191,263	193,498	219,258	215,634	247,424	212,930	218,006	238,021	
Information Technology	818	1,161	1,161	-	-	-	-	-	-	
Food Services	8,938	9,499	9,864	9,518	10,628	10,729	11,112	11,551	12,070	
Subtotal of Operating Grants and Contributions	195,508	201,923	204,523	228,776	226,262	258,153	224,042	229,557	250,091	
Capital Grants and Contributions										
School Facilities	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	
Subtotal of Capital Grants and Contributions	5,537	10,839	11,700	9,414	21,172	11,695	8,941	7,115	2,877	
Total Program Revenues	\$ 205,973	\$ 217,635	\$ 223,003	\$ 244,659	\$ 253,184	\$ 275,003	\$ 239,233	\$ 242,453	\$ 258,494	

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

**(UNAUDITED)**

**School Board for the City of Norfolk**  
**Financial Trends Information**  
**Total Revenue by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Amounts in Thousands)**

**Schedule 6**

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter- Governmental Local	Inter- Governmental State	Inter- Governmental Federal	Total
2001	1,692	4,527	241	81,713	165,659	34,462	288,294
2002	1,705	4,928	223	84,839	157,380	40,627	289,702
2003	1,517	4,873	1,093	98,216	161,706	40,709	308,114
2004	1,302	6,780	1,173	99,950	165,375	40,733	315,313
2005	1,838	6,469	526	100,652	185,870	43,147	338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
2008	2,325	6,250	35	109,440	208,271	48,584	374,905
2009	1,499	5,781	508	111,034	212,885	47,342	379,049
2010	799	5,526	224	103,888	195,583	72,556	378,576
Change 2001-2010	-11.4%	27.7%	110.8%	35.9%	28.5%	37.4%	31.5%

(UNAUDITED)

**Schedule 1**

**School Board for the City of Norfolk  
Debt Capacity Information  
Transportation Facility  
Last Ten Fiscal Years**

Fiscal Year	Debt Service		
	Principal	Interest	Total
2001	156,900	127,345	284,245
2002	156,900	118,704	275,604
2003	156,900	110,083	266,983
2004	156,900	101,422	258,322
2005	156,900	92,782	249,682
2006	156,900	84,141	241,041
2007	156,900	75,500	232,400
2008	156,900	66,860	223,760
2009	156,900	58,562	215,462
2010	156,900	49,578	206,478

**Notes:**

1. The debt is being paid to the City of Norfolk from 1995 -2016.
2. The original cost of the facility was \$3.1 million.

(UNAUDITED)

**Schedule 2**

**School Board for the City of Norfolk  
Debt Capacity  
Ratio of Annual Debt Service Expenditures  
Last Ten Years  
to Total General Expenditures**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2001	156,900	127,345	284,245	288,338,362	0.10%
2002	156,900	118,704	275,604	288,340,595	0.10%
2003	156,900	110,083	266,983	306,450,353	0.09%
2004	156,900	101,422	258,322	315,771,027	0.08%
2005	156,900	92,782	249,682	337,324,224	0.07%
2006	156,900	84,141	241,041	347,323,628	0.07%
2007	156,900	75,500	232,400	381,136,457	0.06%
2008	156,900	66,860	223,760	382,636,157	0.06%
2009	156,900	58,562	215,462	382,845,263	0.06%
2010	156,900	49,578	206,478	373,029,687	0.06%

Notes:

1. Total general expenditures include the expenditures for debt service.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

**School Board for the City of Norfolk  
Child Nutrition Services  
Summary of Meals Served  
As of June 30, 2010**

<b>School</b>	<b>Breakfast</b>	<b>Lunch</b>	<b>Total</b>
Elementary Schools	1,214,630	2,404,703	3,619,333
Middle Schools	225,737	803,848	1,029,585
High Schools	173,116	583,115	756,231
Auxiliary Facilities	79,173	110,137	189,310
<b>Totals</b>	<b>1,692,656</b>	<b>3,901,803</b>	<b>5,594,459</b>

*Source of data: Norfolk Public Schools Child Nutrition Services*

**School Board for the City of Norfolk**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the month of October 2009**

		Paid	Reduced	Free	Total Free / Reduced
<b>Elementary Schools</b>					
121	BAY VIEW ELEM.	49.00%	9.69%	41.31%	51.00%
114	CAMP ALLEN ELEM.	45.23%	19.08%	35.69%	54.77%
109	CAMPOSTELLA ELEM.	6.13%	3.90%	89.97%	93.87%
126	CHESTERFIELD ACADEMY ELEM.	14.52%	7.26%	78.22%	85.48%
128	COLEMAN PLACE ELEM.	18.93%	10.99%	70.09%	81.07%
129	CROSSROADS ELEM	36.58%	11.07%	52.35%	63.42%
127	DREAMKEEPERS ACADEMY/J.J. ROBERTS ELEM.	20.96%	9.85%	69.19%	79.04%
168	FAIRLAWN ELEM.	36.44%	14.89%	48.67%	63.56%
135	GHENT ELEM.	69.71%	6.77%	23.52%	30.29%
134	GRANBY ELEM.	36.80%	11.31%	51.89%	63.20%
136	INGLESIDE ELEM	35.17%	13.79%	51.03%	64.83%
108	JACOX ELEM.	5.49%	5.01%	89.50%	94.51%
150	JAMES MONROE ELEM.	12.44%	4.89%	82.67%	87.56%
141	LARCHMONT ELEM.	75.18%	6.07%	18.75%	24.82%
142	LARRYMORE ELEM.	43.57%	10.18%	46.25%	56.43%
145	LINDENWOOD ELEM.	12.83%	6.42%	80.75%	87.17%
146	LITTLE CREEK ELEM.	31.36%	13.62%	55.01%	68.64%
147	LITTLE CREEK ELEM. ANNEX	33.21%	8.68%	58.11%	66.79%
123	MARY CALCOTT ELEM.	57.42%	10.81%	31.78%	42.58%
151	NORVIEW ELEM.	20.92%	11.30%	67.78%	79.08%
152	OAKWOOD ELEM.	33.05%	12.07%	54.89%	66.95%
154	OCEAN VIEW ELEM.	35.28%	11.17%	53.55%	64.72%
153	OCEANAIR ELEM.	34.03%	15.13%	50.84%	65.97%
165	P.B. YOUNG SR. ELEM.	4.59%	2.90%	92.51%	95.41%
169	POPLAR HALLS ELEM.	36.62%	14.01%	49.36%	63.38%
122	RICHARD BOWLING ELEM.	17.84%	12.22%	69.94%	82.16%
137	SEWELLS POINT ELEM.	46.12%	26.94%	26.94%	53.88%
156	SHERWOOD FOREST ELEM.	38.29%	8.86%	52.85%	61.71%
131	ST. HELENA ELEM.	16.27%	8.73%	75.00%	83.73%
159	SUBURBAN PARK ELEMENTARY	26.78%	11.11%	62.11%	73.22%
161	TANNERS CREEK ELEMENTARY	28.30%	10.65%	61.05%	71.70%
118	TARRALLTON ELEM.	45.51%	19.96%	34.53%	54.49%
119	TIDEWATER PARK ELEM.	2.03%	2.03%	95.95%	97.97%
160	W.H. TAYLOR ELEM	70.72%	4.38%	24.90%	29.28%
115	WILLARD MODEL ELEM.	38.61%	10.55%	50.84%	61.39%
106	WILLOUGHBY ELEM.	43.70%	29.92%	26.38%	56.30%

*Source of data: Norfolk Public Schools Child Nutrition Services*

**School Board for the City of Norfolk**  
**Percent of Free and Reduced Price Lunch Program Eligibility Data**  
**For the month of October 2009**

		Paid	Reduced	Free	Total Free / Reduced
<b>Middle Schools</b>					
206 AZALEA MIDDLE		44.06%	14.44%	41.49%	55.94%
207 BLAIR MIDDLE		47.85%	12.91%	39.24%	52.15%
217 LAFAYETTE-WINONA MIDDLE		17.19%	7.70%	75.11%	82.81%
216 LAKE TAYLOR MIDDLE		25.03%	9.24%	65.73%	74.97%
211 NORTHSIDE MIDDLE		40.46%	11.91%	47.63%	59.54%
212 NORVIEW MIDDLE		30.11%	10.88%	59.01%	69.89%
213 ROSEMONT MIDDLE		33.83%	10.09%	56.08%	66.17%
214 RUFFNER MIDDLE		23.49%	8.80%	67.71%	76.51%
249 SCHOOL OF INTERN'L STUDIES AT MEADOWBROOK		55.85%	16.05%	28.09%	44.15%
<b>High Schools</b>					
304 B. T. WASHINGTON HIGH		38.85%	11.32%	49.83%	61.15%
301 GRANBY HIGH		54.20%	8.22%	37.58%	45.80%
305 LAKE TAYLOR HIGH		40.26%	8.40%	51.34%	59.74%
302 MAURY HIGH		58.74%	7.14%	34.12%	41.26%
303 NORVIEW HIGH		51.66%	10.44%	37.90%	48.34%
<b>Auxiliary Facilities</b>					
130 BERKLEY/CAMPOSTELLA EARLY CHILDHOOD CENTER		16.22%	6.76%	77.03%	83.78%
171 EASTON PRESCHOOL		38.14%	11.34%	50.52%	61.86%
392 MADISON		25.40%	10.32%	64.29%	74.60%
163 MARINE INSTITUTE		2.27%	4.55%	93.18%	97.73%
163 NORFOLK RE-ED SCHOOL - SECEP		32.99%	8.25%	58.76%	67.01%
396 NORFOLK TECHNICAL CTR		60.55%	7.54%	31.91%	39.45%
School Board for the City of Norfolk Totals		<b>38.08%</b>	<b>10.29%</b>	<b>51.63%</b>	<b>61.92%</b>
October 2009 Totals		<b>38.08%</b>	<b>10.29%</b>	<b>51.63%</b>	<b>61.92%</b>

*Source of data: Norfolk Public Schools Child Nutrition Services*

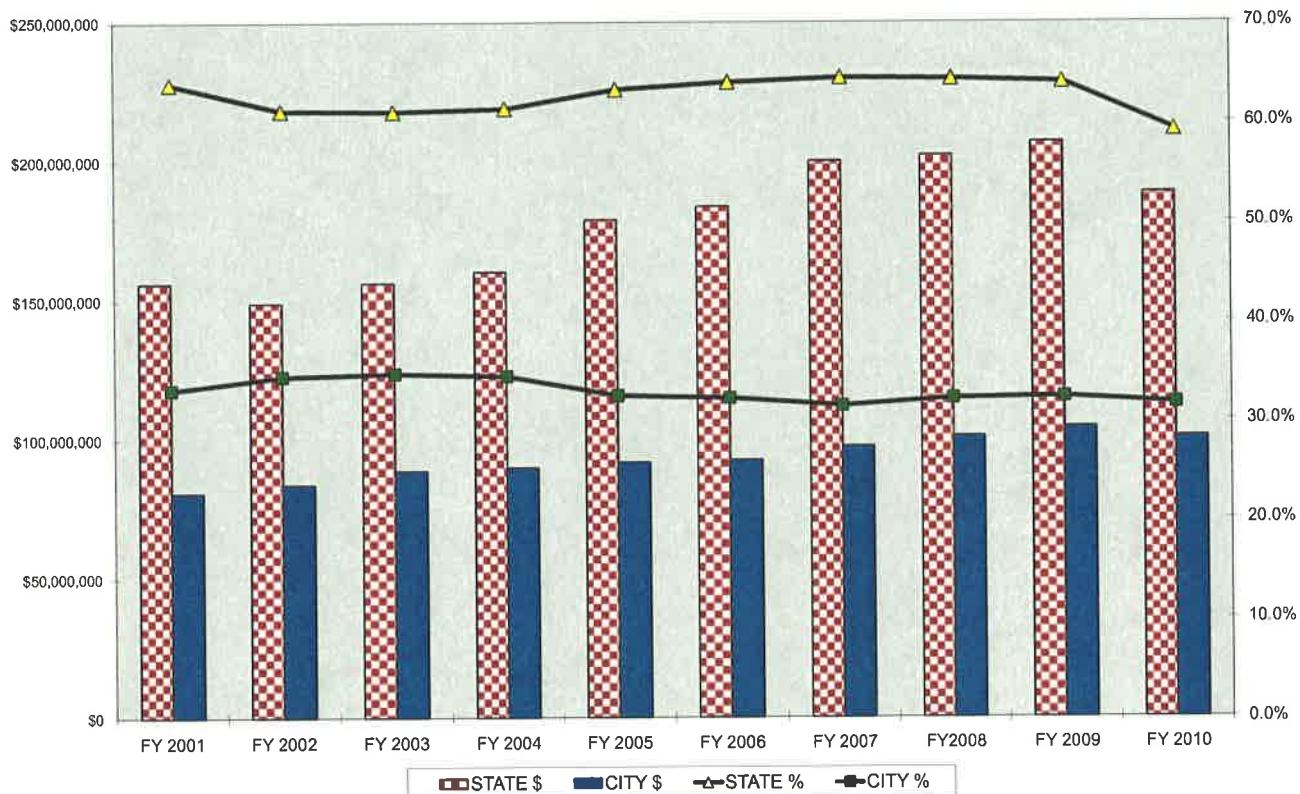
## Summary of Child Nutrition Services Funds

Currently, Norfolk serves an average of 32,000 meals and 1,000 after-school snacks each day. Child Nutrition Services provides breakfasts, lunches, and snacks which meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible for free or reduced meals. Norfolk operates the program as a non-profit organization and utilizes commodities provided by USDA as well as those provided by private vendors.

Account Description	Positions		Budget	Actual	Budget	Actual	Budget	Budget % Increase Over 2010
	2010	2011	2009	2009	2010	2010	2011	
<b>Revenue</b>								
Sales			\$3,645,310	\$ 2,878,818	\$ 2,835,200	\$ 2,580,078	\$ 2,555,000	-9.88%
Federal and State Food Program Reimbursements			10,275,900	10,466,931	10,560,000	11,199,151	11,645,000	10.27%
Federal Commodities Donated			900,000	1,084,757	870,000	871,024	850,000	-2.30%
Interest Earnings			83,820	4,726	35,000	-	10,000	-71.43%
Other			585,660	80,774	90,500	162,946	95,500	5.52%
<b>Total revenue</b>			<b>\$15,490,690</b>	<b>\$ 14,516,007</b>	<b>\$ 14,390,700</b>	<b>\$ 14,813,199</b>	<b>\$ 15,155,500</b>	<b>5.31%</b>
<b>Expenditures</b>								
Cost of Goods Sold			\$6,647,570	\$ 6,818,816	\$ 6,615,000	\$ 6,516,805	\$ 6,873,000	3.90%
Employee Compensation	195.00	169.50	7,714,530	7,049,127	7,215,500	6,849,452	7,050,000	-2.29%
Maintenance Costs			236,810	415,096	402,000	360,282	454,000	12.94%
Supplies and Materials			275,000	93,651	130,000	100,653	125,000	-3.85%
Cafeteria and Other Equipment			270,000	359,902	250,000	497,889	445,000	78.00%
Other Costs			346,780	235,047	219,250	175,341	208,500	-4.90%
<b>Total expenditures</b>	<b>195.00</b>	<b>169.50</b>	<b>\$15,490,690</b>	<b>\$ 14,971,639</b>	<b>\$ 14,831,750</b>	<b>\$ 14,500,422</b>	<b>\$ 15,155,500</b>	<b>2.18%</b>
Excess of Revenues over Expenditures			\$0	\$ (455,632)	\$ (441,050)	\$ 312,777	\$ -	-100.00%
Fund Balance - Beginning of Year			5,770,912	5,770,912	5,315,280	5,315,280	4,874,230	-8.30%
<b>Fund Balance - End of Year</b>			<b>\$5,770,912</b>	<b>\$ 5,315,280</b>	<b>\$ 4,874,230</b>	<b>\$ 5,628,057</b>	<b>\$ 4,874,230</b>	<b>0.00%</b>

*Source of Data: Norfolk Public Schools Child Nutrition Services*

## State and City Revenues

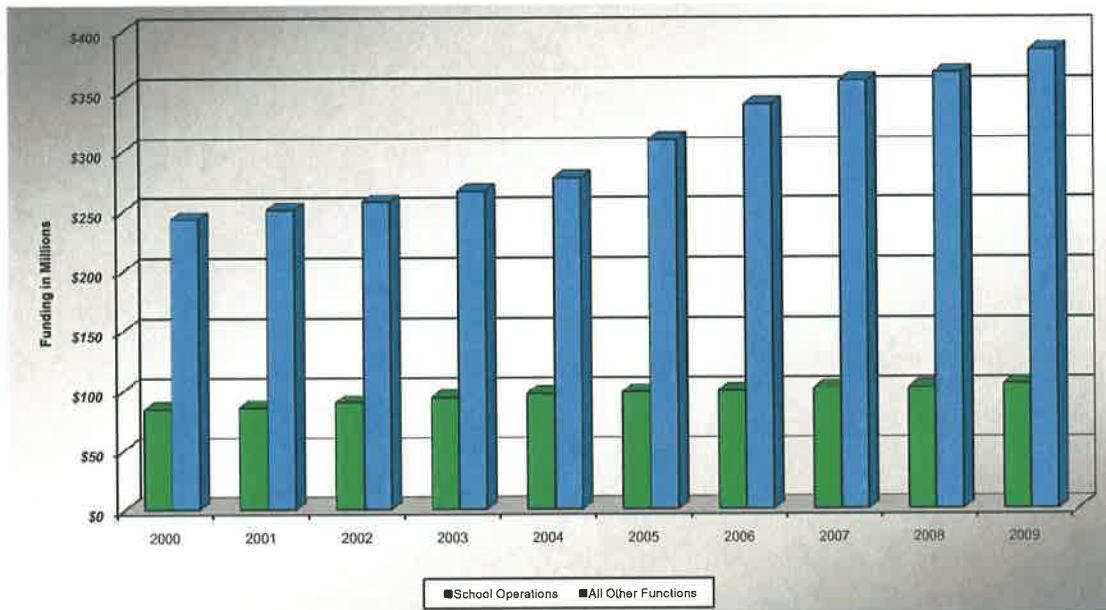


FISCAL YEAR	STATE REVENUE		CITY REVENUE	
	Total	Percent	Total	Percent
2001	\$ 156,304,730	63.8%	\$ 80,882,544	33.0%
2002	\$ 149,254,360	61.2%	\$ 83,882,544	34.4%
2003	\$ 156,504,286	61.0%	\$ 88,853,663	34.7%
2004	\$ 160,507,805	61.4%	\$ 90,020,000	34.4%
2005	\$ 179,190,014	63.2%	\$ 91,864,910	32.4%
2006	\$ 183,950,776	63.9%	\$ 92,594,910	32.2%
2007	\$ 200,127,838	64.4%	\$ 97,594,910	31.4%
2008	\$ 202,196,359	64.3%	\$ 101,094,910	32.1%
2009	\$ 206,990,016	64.0%	\$ 104,511,131	32.3%
2010	\$ 188,792,034	59.2%	\$ 101,011,131	31.7%

This chart indicates state and city funding (the two major sources of school funds) over the last decade. The information is in actual dollars (unadjusted for inflation) based on the overall funding, including federal and other local revenues (fees, interest, etc.). Since federal and local revenues are not shown on this chart, the percentages do not total 100%.

Source of Data: Comprehensive Annual Financial Reports

**Comparison of Revenue Under Local Control Dedicated  
to School Operations and to Other Functions**  
**2000-2009**



FISCAL YEAR	Revenue Under Local Control		Local Revenue Dedicated to School Operations (a)		Dedicated to All Other Functions	
	Total	Growth	Total	Growth	Total	Growth
2000	\$326.52	7.9%	\$83.83	1.6%	\$242.69	10.3%
2001	\$335.90	2.9%	\$85.39	1.9%	\$250.51	3.2%
2002	\$346.70	3.2%	\$89.42	4.7%	\$257.28	2.7%
2003	\$359.65	3.7%	\$93.54	4.6%	\$266.11	3.4%
2004	\$373.80	3.9%	\$96.86	3.5%	\$276.94	4.1%
2005	\$406.30	8.7%	\$97.81	1.0%	\$308.49	11.4%
2006	\$436.70	7.5%	\$98.57	0.8%	\$338.13	9.6%
2007	\$458.10	4.9%	\$100.60	2.1%	\$357.50	5.7%
2008	\$468.40	2.2%	\$101.09	0.5%	\$364.20	1.9%
2009	\$487.50	4.1%	\$104.20	3.1%	\$383.30	5.2%

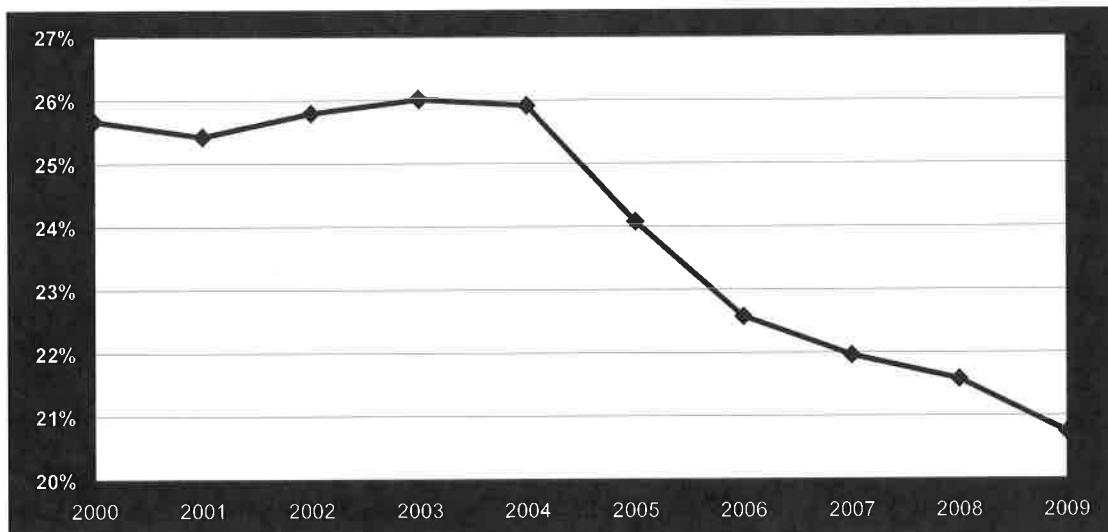
Amounts shown are in millions of dollars

Average growth 2000-09:	4.9%	2.4%	5.8%
Total growth 2000-09	49.3%	24.3%	57.9%

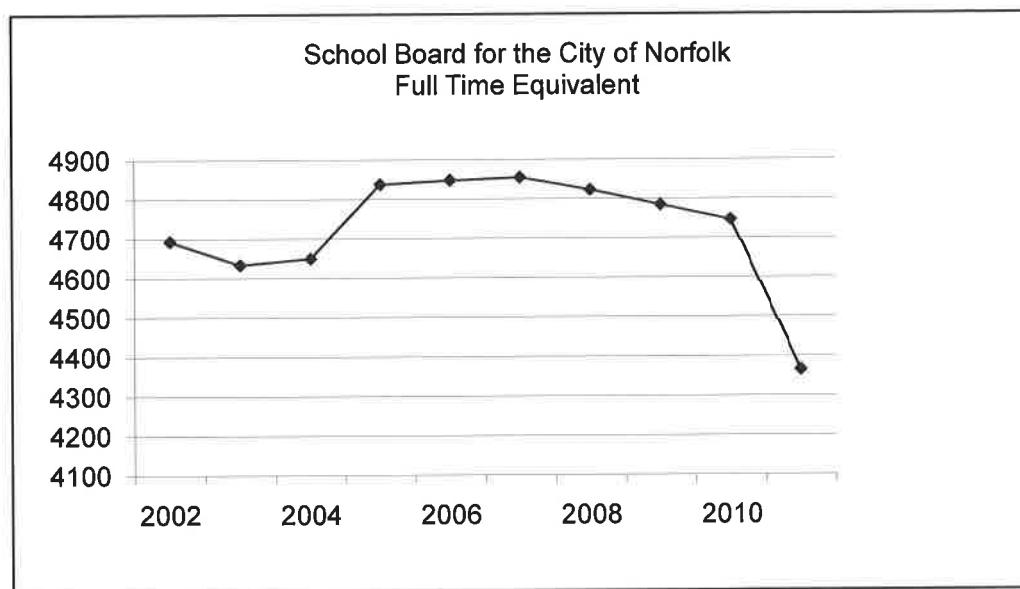
(a) Includes an estimate of cost of crossing guards, school nurses, grounds maintenance and local revenues collected directly by school board (fees, etc.).

(b) Source of data: Norfolk Public Schools Budget Department. 2010 data not yet available.

**Percentage of Revenue Under Local Control  
Dedicated to School Operations  
2000-2009**



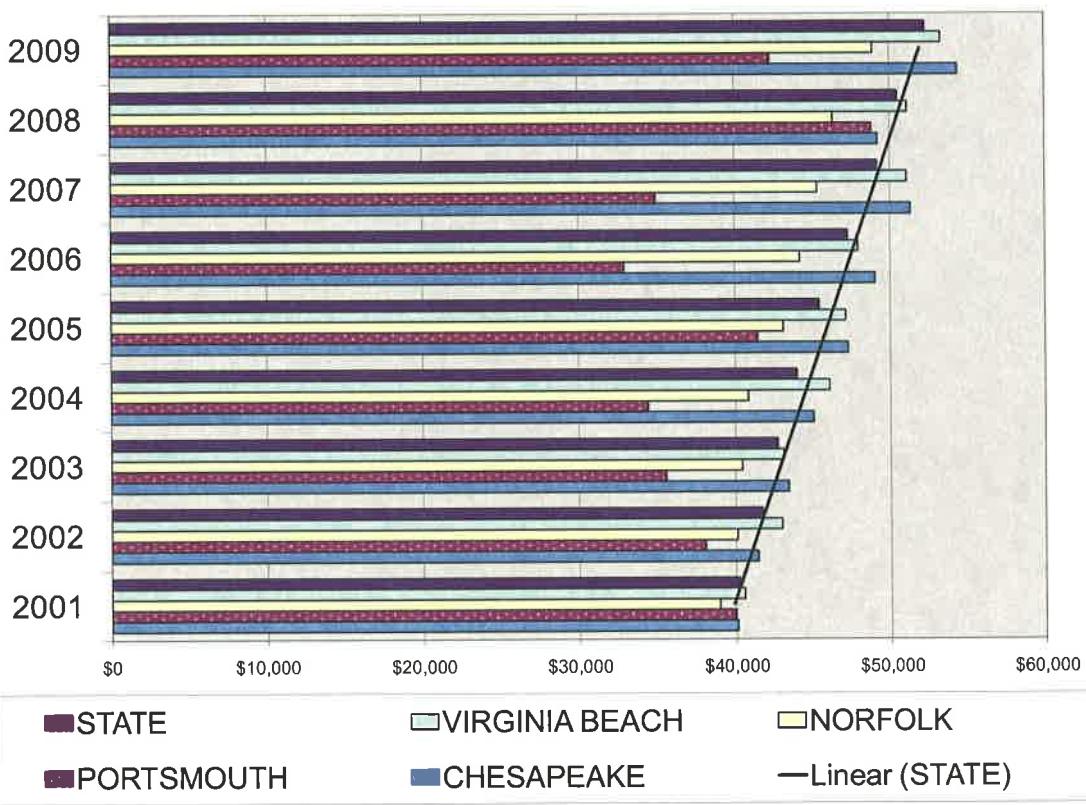
FISCAL YEAR	Local Revenue	Dedicated to School Operations	% to School Operations
2000	\$326.52	\$83.83	25.7%
2001	\$335.90	\$85.39	25.4%
2002	\$346.70	\$89.42	25.8%
2003	\$359.65	\$93.54	26.0%
2004	\$373.80	\$96.86	25.9%
2005	\$406.30	\$97.81	24.1%
2006	\$436.70	\$98.57	22.6%
2007	\$458.10	\$100.60	22.0%
2008	\$468.40	\$101.09	21.6%
2009	\$487.50	\$104.20	21.4%



Fiscal Year	FTE
2001	4623
2002	4694
2003	4634
2004	4650
2005	4838
2006	4848
2007	4855
2008	4823
2009	4785
2010	4747
(budgeted) 2011	4365

*Source of Data: Norfolk Public Schools Budget Office*

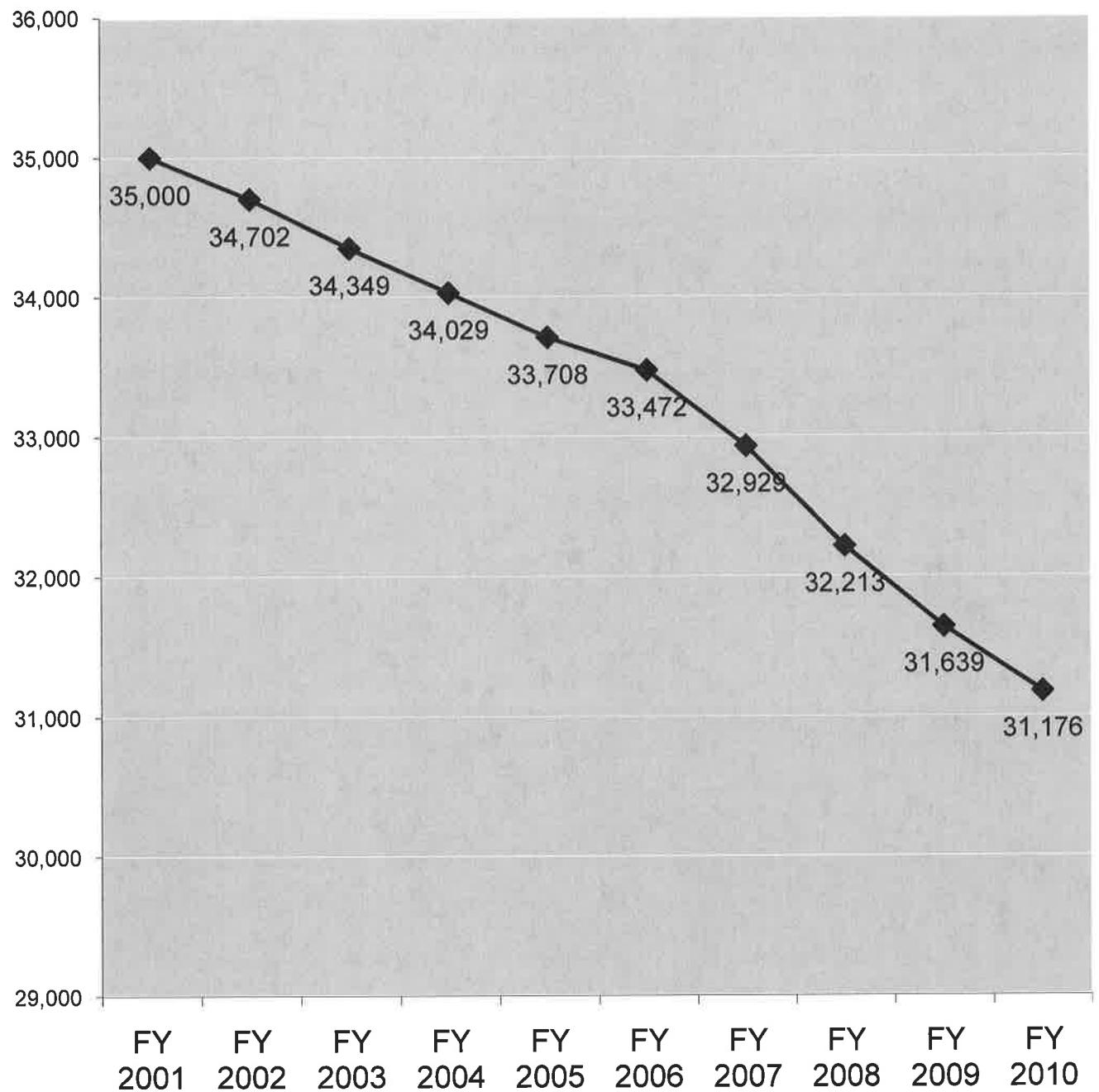
## Average Annual Salary - All Teaching Positions



FISCAL YEAR	CHESAPEAKE	PORTSMOUTH	NORFOLK	VIRGINIA BEACH	STATE
2001	\$40,102	\$39,947	\$38,965	\$40,556	\$40,247
2002	\$41,433	\$38,030	\$40,100	\$42,978	\$41,731
2003	\$43,396	\$35,535	\$40,429	\$43,095	\$42,694
2004	\$45,011	\$34,404	\$40,832	\$46,030	\$43,952
2005	\$47,265	\$41,436	\$43,087	\$47,110	\$45,377
2006	\$49,005	\$32,903	\$44,165	\$47,900	\$47,248
2007	\$51,348	\$34,924	\$45,288	\$51,102	\$49,164
2008	\$49,205	\$48,790	\$46,297	\$51,133	\$50,511
2009	\$54,385	\$42,270	\$48,903	\$53,315	\$52,307

Source of Data: Superintendent's Annual Report for Virginia.  
2010 data not yet available.

## Average Daily Membership



Source of data: Norfolk Public Schools Department of Strategic Evaluation, Assessment and Support

## Average Cost Per Student

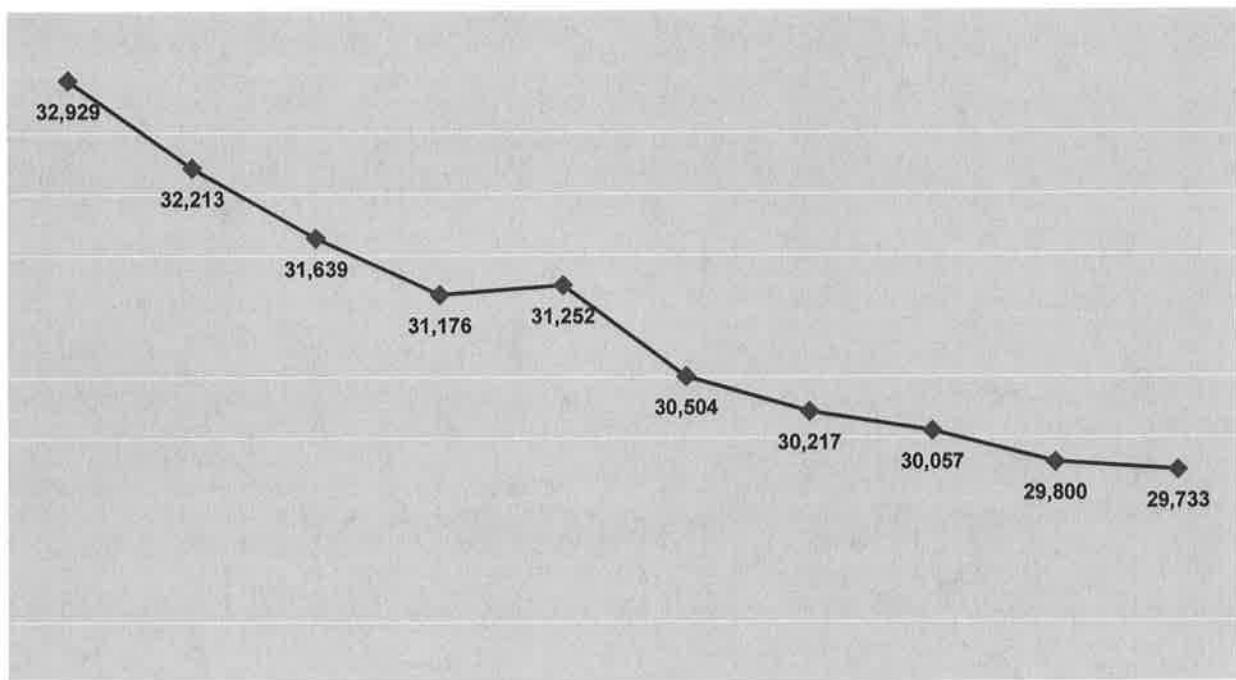
Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (b)			Average Cost per Student exclusive of Adult Education
		K-12	Pre-K	Total	
2011	\$295,670,900 (a)	30,630	2,302	32,932	\$8,978
2010	\$327,186,336	30,839	2,302	33,141	\$9,873
2009	\$324,043,814	31,639	2,173	33,812	\$9,584
2008	\$316,464,796	32,259	1,052	33,311	\$9,500
2007	\$309,045,784	32,962	1,052	34,014	\$9,086
2006	\$291,657,947	33,262	1,052	34,314	\$8,500
2005	\$282,762,068	33,762	1,152	34,914	\$8,099
2004	\$260,460,046	34,030	1,152	35,182	\$7,403
2003	\$251,565,368	34,349	1,152	35,501	\$7,086
2002	\$245,188,608	34,268	1,152	35,420	\$6,922

(a) Projected expenditures

(b) Student membership is average daily membership for the year. FY 2011 membership is estimated. Pre-kindergarten membership excludes students enrolled in classes funded by Federal Title I funds.

*Source of Data: Norfolk Public Schools Budget Department*

## Enrollment Projections (K-12)



FY 2007    FY 2008    FY 2009    FY 2010    FY 2011    FY 2012    FY 2013    FY 2014    FY 2015    FY 2016

FISCAL YEAR	PROJECTED ENROLLMENT
2007	32,929
2008	32,213
2009	31,639
2010	31,176
2011	31,252
2012	30,504
2013	30,217
2014	30,057
2015	29,800
2016	29,733

### METHODOLOGY

A model for long-range student enrollment projections is based upon survival ratios, adjustments for births, and new student to come from residential development. Survival ratios for each grade and year were calculated from historical and current enrollment. In most instances, these ratios are less than one - meaning that some students either move out of the district, transfer to a private school, or are not promoted. To remove some of the year-to-year variation, three year weighted survival ratios was used.

*Source: Norfolk Public Schools Department of Strategic Evaluation, Assessment and Support*

## State Incentive to Reduce Class Size

Elementary School	October 2008 Free Lunch Eligibility Rate	State Target Pupil-Teacher Ratio	NPS Pupil Teacher Ratio Budgeted	Maximum Permitted Individual Class Size in the School	NPS Average Class Size Expected
BAY VIEW	36.42%	19:1	22:1	24	22
BOWLING PARK	64.36%	17:1	23:1	22	19
CALCOTT	32.31%	19:1	21:1	24	21
CAMP ALLEN	30.28%	19:1	20:1	24	20
CAMPOSTELLA *	90.35%	14:1	18:1	19	16
CHESTERFIELD ACADEMY	70.61%	15:1	22:1	20	19
COLEMAN PLACE	63.11%	17:1	21:1	22	21
CROSSROADS	46.18%	18:1	20:1	23	20
FAIRLAWN	49.79%	18:1	20:1	23	20
GRANBY	50.24%	18:1	24:1	23	24
INGLESIDE	47.71%	18:1	19:1	23	19
JACOX *	82.93%	14:1	17:1	19	15
LARRYMORE	40.84%	19:1	21:1	24	21
LINDENWOOD *	80.10%	14:1	18:1	19	15
LITTLE CREEK	52.20%	18:1	20:1	23	20
MONROE	84.22%	14:1	18:1	19	15
NORVIEW	67.96%	16:1	18:1	21	18
OAKWOOD	52.22%	18:1	19:1	23	19
OCEAN VIEW	52.20%	18:1	20:1	23	20
OCEANAIR	49.23%	18:1	20:1	23	20
POPLAR HALLS	46.91%	18:1	18:1	23	18
ROBERTS PARK	64.75%	17:1	23:1	22	18
SHERWOOD FOREST	46.67%	18:1	22:1	23	22
ST. HELENA	75.31%	14:1	22:1	19	17
SUBURBAN PARK	57.43%	17:1	20:1	22	20
TANNERS CREEK	53.35%	18:1	20:1	23	20
TARRALLTON	32.40%	19:1	21:1	24	21
TIDEWATER PARK	94.65%	14:1	19:1	19	15
WILLARD MODEL	46.87%	18:1	21:1	23	21
WILLOUGHBY	32.10%	19:1	19:1	24	19
YOUNG PARK	91.44%	14:1	18:1	19	15

*Includes 4 federal class reduction teachers for grades K-3*

*Source of Data: Norfolk Public Schools Budget Department*

**School Board for the City of Norfolk**  
**Facilities Information on Schools**  
**As of 2010**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Total Sqft.</b>	
						<b>Age</b>	<b>Bldgs. &amp; Mobiles</b>
Granby High	1939	292,294	25	0	1997-1998	12	292,294
Lake Taylor High	1967	261,000	44.7	2	1974	36	263,000
Maury High	1910	265,000	9.8	0	1988	22	265,000
Norview High	2004	287,272	27	0		6	287,272
B. T. Washington High	1974	265,000	30	0		36	265,000
<b>High School Average Age:</b>						<b>22.40</b>	
Azalea Middle	1961	120,374	21.1	3		49	123,110
Blair Middle	1922	241,597	7.4	0	2007	3	241,597
Lafayette/Winona Middle	1991	140,000	14.1	0		19	140,000
Lake Taylor Middle	1965	118,926	20	6		45	124,398
Northside Middle	1956	122,675	14.5	0		54	122,675
Norview Middle	1995	152,000	19	0		15	152,000
Rosemont Middle	1959	126,028	18.5	0		51	126,028
Ruffner Middle	1994	146,000	10.52	0		16	146,000
<b>Middle School Average Age:</b>						<b>31.50</b>	
Bayview Elementary	1922	83,095	9.4	0	1999	11	83,095
Bowling Park Elementary	1953	60,325	11.9	2	1954	57	62,149
Calcott Elementary	1952	65,100	12	2	1954	58	66,924
Camp Allen Elementary	1970	69,200	14	0	1984	40	69,200
Campostella Elementary	1963	95,970	21.2	0		47	95,970
Chesterfield Academy	1953	58,750	12.3	10	1971	57	67,870
Coleman Place Elementary	2007	96,818	9.2	0		3	96,818
Crossroads Elementary	1946	49,150	12	4	1955, 1956	64	52,798
Fairlawn Elementary	1959	58,500	16.4	11	1961	51	52,798
Ghent Elementary	1978	60,800	13	3		32	63,536
Granby Elementary	1948	82,081	9	0	1989	62	82,081
Ingleside Elementary	1954	58,500	16	6		56	63,972
Jacox Elementary	1949	79,200	11.7	4		61	82,848
Larchmont Elementary	1929	47,300	23	0	1977	81	47,300
Larrymore Elementary	1957	77,325	13	0	1964	53	77,325
Lindenwood Elementary	1953	54,900	9.5	7	1965	57	61,284
Little Creek Elementary	1954	56,795	17	5		56	61,355
Little Creek Primary	1957	44,500		1		53	45,412
Monroe Elementary	1990	64,000	12.8	0		20	64,000
Norview Elementary	1952	57,640	14.2	14	1953	58	70,408
Oakwood Elementary	1952	40,000	8.2	2	1961	58	41,824
Ocean View Elementary	1939	56,150	20.5	2		71	57,974
Oceanair Elementary	1956	62,470	17.7	8		54	69,766
Popular Halls Elementary	1959	44,400	17.8	3	1961	51	47,136
J.J. Roberts Elementary	1964	40,355	6.6	4		46	44,003
St. Helena Elementary	1966	36,074	13.2	2		44	37,989
Sewells Point Elementary	1966	60,900	8.9	6	1984	44	66,372
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	53	69,988
Suburban Park Elementary	1955	61,980	15	0	1988	55	61,980
Tanners Creek Elementary	1990	83,000	9	0		20	83,000
Tarralton Elementary	1964	46,300	15.2	3		46	49,036
Taylor Elementary	1998	54,786	2.8	0		12	54,786
Tidewater Park Elementary	1964	39,675	8.3	5		46	44,235
Willard Elementary	1952	80,925	14.9	0	1990	58	80,925
Willoughby Elementary	1967	58,400	12	0		43	58,400
P. B. Young Sr. Elementary	1954	55,325	8	0		56	55,325
<b>Elementary School Average Age:</b>						<b>48.17</b>	

**School Board for the City of Norfolk**  
**Facilities Information on Schools**  
**As of 2010**

<b>Location</b>	<b>Year Built</b>	<b>Square Foot</b>	<b>Site Acreage</b>	<b>Mobile Units</b>	<b>Renovations and Additions</b>	<b>Age</b>	<b>Total Sqft. Bldgs. &amp; Mobiles</b>
Tucker	1942	32,151	5	0		68	32,151
Berkley/Compostella ECC	1953	46,453	10.6	0		57	46,453
Camp Young	1946	27,398	30	0		64	27,398
Coronado	1959	13,280	2.2	2		51	15,104
Easton Preschool	1959	37,500	11.7	0	1961	51	37,500
Madison Career Center	1919	75,501	3	0	1921	91	75,501
Meadowbrook	1925	48,029	2	0	1937, 1954, 2001	85	48,029
Norfolk Technical Center	1968	125,938	29.5	0	1971	42	125,938
Ballantine	1916	38,700	9.8	0	1965	94	38,700
Stuart Gifted & ECC	1920	105,520	4.8	0	1923, 1966, 1969	90	105,520
Bellmore	1968	77,028	3.9	1		42	77,940
Transportation	1995	24,689	9.9	1		15	25,601
					<b>Subtotal Average Age Other:</b>	<b>62.00</b>	
Total Mobiles					123		
Average Age of all Buildings					41.14		
Total Number of Acres					833		
Total Number of Square Feet					5,397,382		
Total Square feet including mobiles					5,509,734		

Total Square footage column include Building plus Mobiles as of 10 November 2010

Age of original structure is different for buildings that have renovations

*Source of data: Norfolk Public Schools Facilities Management*

(UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 1**  
**Net Assets by Category**  
**Last Nine Fiscal Years**  
(Amounts in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>									
Invested in capital assets, net of related debt	\$ 537,356	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988	\$ 325,173	\$ 252,128	\$ 155,954
Restricted	72,938	35,753	55,786	6,788	6,605	6,731	6,890	64,397	120,974
Unrestricted	34,968	72,904	86,959	91,869	96,705	127,479	90,917	63,013	76,365
Subtotal governmental activities net assets	<u>645,262</u>	<u>579,108</u>	<u>554,738</u>	<u>502,234</u>	<u>494,702</u>	<u>467,198</u>	<u>422,980</u>	<u>379,538</u>	<u>353,293</u>
<b>Business-Type activities:</b>									
Invested in capital assets, net of related debt	128,521	195,799	223,018	237,044	259,198	268,503	241,203	237,307	229,693
Restricted	46,861	37,216	36,041	-	-	2,526	2,506	39,306	40,056
Unrestricted	85,619	39,277	20,293	48,563	43,383	34,373	72,367	43,921	63,316
Subtotal business-type activities net assets	<u>261,001</u>	<u>272,292</u>	<u>279,352</u>	<u>285,607</u>	<u>302,581</u>	<u>305,402</u>	<u>316,096</u>	<u>320,534</u>	<u>333,065</u>
<b>Primary government:</b>									
Invested in capital assets, net of related debt	665,677	666,250	635,011	640,621	650,590	601,491	566,376	489,435	385,647
Restricted	119,799	72,969	91,827	6,788	6,605	9,257	9,396	103,703	161,030
Unrestricted	120,587	112,181	107,252	140,432	140,088	161,052	163,304	106,934	139,681
Total primary government net assets	<u>\$ 906,263</u>	<u>\$ 851,400</u>	<u>\$ 834,090</u>	<u>\$ 787,841</u>	<u>\$ 797,283</u>	<u>\$ 772,600</u>	<u>\$ 739,076</u>	<u>\$ 700,072</u>	<u>\$ 686,358</u>

## Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 2**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
(Amounts in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 108	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 3,380	
Judicial administration	10	191	402	498	200	778	931	935	1,098	
Public safety	2,410	6,282	6,727	11,608	13,041	2,708	2,307	2,797	4,644	
Public works	13,896	16,394	16,829	9,081	10,121	24,161	27,156	26,999	34,565	
Health and public assistance	119	159	154	130	134	101	166	134	74	
Culture and recreation	1,763	5,907	6,688	7,034	6,198	6,126	6,710	6,232	6,104	
Community development	6	7	11	5	1,063	907	760	1,539	710	
Capital grant contributions	-	-	-	-	-	-	-	16,933	-	
Operating grants and contributions	93,270	123,596	105,466	116,399	116,827	115,779	112,960	112,419	107,640	
Total governmental activities program revenue	111,582	152,985	136,808	145,530	148,814	153,030	153,159	169,788	158,235	
Business-type activities:										
Charges for services										
Water	59,318	63,785	60,964	61,002	74,218	69,816	74,240	74,454	78,983	
Wastewater	13,389	14,615	18,633	21,329	22,375	22,314	24,917	23,125	23,815	
Parking facilities	18,355	18,574	21,354	21,059	20,911	21,599	20,425	20,048	18,785	
Capital grants and contributions	355	254	205	-	78	731	219	504	366	
Total business-type activities program revenues	91,417	97,228	101,156	103,390	117,582	114,460	119,801	118,131	121,849	
Total primary government program revenues	202,999	250,213	237,964	248,920	266,396	267,490	272,960	287,919	280,184	
<b>Expenses</b>										
Governmental activities:										
General government	48,052	83,311	86,081	74,344	94,763	113,279	113,142	111,629	112,874	
Judicial administration	8,987	10,855	36,635	40,319	42,494	46,944	46,563	52,209	52,020	
Public safety	122,252	117,488	99,975	107,531	106,705	111,803	126,809	120,703	130,263	
Public works	96,894	103,319	124,833	144,438	109,907	119,176	118,888	134,274	132,176	
Health and public assistance	62,062	70,665	77,668	84,173	91,443	93,775	95,234	93,495	91,923	
Culture and recreation	46,945	44,758	42,495	46,267	44,933	52,965	56,890	63,438	73,342	
Community development	17,218	19,806	10,471	16,974	14,930	14,772	15,345	10,867	15,429	
Education	83,883	88,854	90,020	91,865	92,595	97,595	101,095	104,511	101,011	
Interest on long-term debt	18,536	18,088	17,461	18,516	19,565	19,818	21,457	23,788	25,166	
Intergovernmental	7,932	8,061	6,140	-	-	-	-	-	-	
Total government activities expenses	512,771	565,206	591,779	624,427	617,335	669,927	697,253	714,914	734,203	
Business-type activities:										
Water	53,712	54,382	60,089	60,207	62,009	60,511	64,877	66,990	64,316	
Wastewater	11,379	10,963	11,754	11,957	15,448	17,377	18,614	21,227	18,983	
Parking facilities	14,298	15,834	16,869	18,640	18,356	18,861	21,539	19,036	20,006	
Total business-type activities expenses	79,389	81,179	88,692	90,804	95,813	96,749	105,030	107,253	103,307	
Total primary government expenses	592,160	646,385	680,471	715,231	713,148	766,676	802,283	822,167	837,510	
<b>Net (Expense) Revenue</b>										
Governmental activities	(401,169)	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(575,968)	
Business-type activities	12,028	16,049	12,464	12,586	21,769	17,711	14,771	10,878	18,642	
Total primary government net expense	\$ (389,161)	\$ (396,172)	\$ (442,507)	\$ (496,311)	\$ (446,752)	\$ (499,186)	\$ (529,323)	\$ (534,248)	\$ (557,320)	

## Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 2-1**  
**Changes In Net Assets**  
**Last Nine Fiscal Years**  
**(Amounts in thousands)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Taxes:										
Real Estate and personal property	\$ 156,871	\$ 166,731	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315	\$ 240,488	\$ 260,840	\$ 259,189	
Consumption utility	-	-	-	43,387	43,337	42,586	46,582	44,142	44,053	
Sales and use	-	-	-	29,497	30,652	32,402	31,791	29,484	28,249	
Restaurant food	-	-	-	26,069	27,277	28,578	28,758	28,079	27,292	
Business licenses	-	-	-	22,015	24,412	25,268	26,343	27,692	26,009	
Cigarette	-	-	-	6,048	6,819	6,957	7,577	7,333	7,176	
Motor vehicle license	-	-	-	2,605	3,576	3,528	3,498	4,005	4,308	
Franchise, admission, recreation and other miscellaneous local	-	-	-	19,356	21,544	19,800	18,025	17,192	16,528	
Other *	127,262	132,847	140,675	-	-	-	-	-	-	
Interest and investment earnings	5,566	3,018	2,377	4,916	7,306	6,536	5,307	2,789	692	
Grants and contributions not restricted to specific programs	60,367	60,472	77,801	68,219	68,133	68,524	69,352	60,513	70,774	
Miscellaneous	12,003	7,986	18,504	8,496	15,851	4,845	11,881	9,600	12,813	
Gain on disposal of assets	625	4,025	-	-	3,249	65	82	-	-	
Special item - contingent liability - settlement	-	-	-	-	-	-	-	-	(2,850)	
Capital contributions Norfolk Public Schools	-	-	-	-	-	-	-	-	40,387	
Transfers between governmental and business-type activities	8,000	8,500	10,000	10,000	11,888	10,888	10,212	10,215	13,054	
Total governmental activities	<u>372,694</u>	<u>385,579</u>	<u>430,603</u>	<u>435,264</u>	<u>481,811</u>	<u>489,393</u>	<u>499,876</u>	<u>501,684</u>	<u>547,874</u>	
Business-type activities:										
Interest and investment earnings	641	816	609	664	3,161	2,739	3,046	925	618	
Grants and contributions not restricted to specific programs	-	-	-	-	-	333	-	-	148	
Unrealized Gain (Loss) on investments	-	25	(640)	-	-	-	-	-	-	
Miscellaneous	3,660	2,780	4,824	3,657	3,911	3,554	3,088	2,850	3,432	
Gain (Loss) on disposal of assets	415	121	-	(852)	-	(6)	-	-	2,744	
Transfers between governmental and business-type activities	(8,000)	(8,500)	(10,000)	(10,000)	(11,888)	(10,988)	(10,212)	(10,215)	(13,054)	
Total business-type activities	<u>(2,984)</u>	<u>(4,758)</u>	<u>(5,407)</u>	<u>(6,331)</u>	<u>(4,796)</u>	<u>(4,398)</u>	<u>(4,078)</u>	<u>(6,440)</u>	<u>(6,112)</u>	
Total primary governmental activities	<u>369,710</u>	<u>380,821</u>	<u>425,196</u>	<u>428,933</u>	<u>477,015</u>	<u>485,025</u>	<u>495,798</u>	<u>495,244</u>	<u>541,762</u>	
Change in Net Assets										
Governmental activities	(28,495)	(26,642)	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,094)	
Business-type activities	9,044	11,291	7,057	8,255	16,873	13,343	10,693	4,438	12,530	
Total Primary Government changes in net assets	<u><u>\$ (19,451)</u></u>	<u><u>\$ (15,351)</u></u>	<u><u>\$ (17,311)</u></u>	<u><u>\$ (37,378)</u></u>	<u><u>\$ 30,263</u></u>	<u><u>\$ (14,161)</u></u>	<u><u>\$ (33,525)</u></u>	<u><u>\$ (39,004)</u></u>	<u><u>\$ (15,564)</u></u>	

## Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

2. \*All taxes listed except real estate taxes were reported as "other" on the CAFR prior to fiscal year 2005.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 3**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund:										
Reserved	\$ 12,142	\$ 14,913	\$ 8,317	\$ 8,152	\$ 14,172	\$ 16,057	\$ 17,223	\$ 11,669	\$ 7,842	\$ 8,296
Unreserved	60,569	53,053	49,789	53,948	54,007	66,619	71,056	56,302	50,784	53,840
Total general fund	<u>72,711</u>	<u>67,966</u>	<u>58,106</u>	<u>62,100</u>	<u>68,179</u>	<u>82,676</u>	<u>88,279</u>	<u>67,971</u>	<u>58,626</u>	<u>62,136</u>
Capital projects fund:										
Reserved	23,294	40,849	51,259	80,034	82,373	20,885	48,894	57,186	50,987	60,696
Unreserved	11,755	1,009	7,200	14,132	3,394	-	15,424	64,504	25,939	86,260
Total capital projects fund	<u>35,049</u>	<u>41,858</u>	<u>58,459</u>	<u>94,166</u>	<u>85,767</u>	<u>20,885</u>	<u>64,318</u>	<u>121,690</u>	<u>76,926</u>	<u>146,956</u>
All Other governmental funds:										
Reserved	19,577	17,177	8,089	10,509	27,161	19,075	20,123	30,716	27,049	34,634
Unreserved	(17,230)	1,254	14,833	14,058	3,992	17,131	24,211	13,987	12,535	14,008
Total Other governmental funds	<u>2,347</u>	<u>18,431</u>	<u>22,922</u>	<u>24,567</u>	<u>31,153</u>	<u>36,206</u>	<u>44,334</u>	<u>44,703</u>	<u>39,584</u>	<u>48,642</u>
Total fund balance, governmental funds	<u><u>\$ 110,107</u></u>	<u><u>\$ 128,255</u></u>	<u><u>\$ 139,487</u></u>	<u><u>\$ 180,833</u></u>	<u><u>\$ 185,099</u></u>	<u><u>\$ 139,767</u></u>	<u><u>\$ 196,931</u></u>	<u><u>\$ 234,364</u></u>	<u><u>\$ 175,136</u></u>	<u><u>\$ 257,734</u></u>

(UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 4**  
**Changes In Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Amounts In Thousands)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenue:</b>										
General property taxes	\$ 153,366	\$ 159,512	\$ 168,893	\$ 178,381	\$ 183,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 256,905
Other local taxes	126,537	127,262	132,847	140,675	150,477	157,616	159,119	162,573	157,927	153,815
Licenses and permits	2,801	2,700	2,973	3,204	3,542	4,089	4,071	4,055	4,012	3,526
Fines and forfeitures	1,884	1,541	1,569	1,627	1,763	1,461	1,605	1,317	1,260	1,184
Use of money and property	11,361	11,247	8,791	8,333	10,232	10,498	11,105	10,980	8,332	6,700
Charger for services	16,745	16,312	28,390	31,342	29,129	32,772	37,071	40,159	40,345	50,586
Miscellaneous	13,661	12,337	24,785	17,338	18,951	33,494	11,691	17,923	12,911	19,377
Recovered costs	14,135	10,008	9,556	12,297	14,188	12,867	8,404	8,622	8,952	8,206
Intergovernmental	122,677	133,332	131,071	160,118	147,045	149,757	156,637	156,862	140,774	152,819
<b>Total Revenue:</b>	<b>464,787</b>	<b>476,251</b>	<b>509,875</b>	<b>553,296</b>	<b>568,620</b>	<b>614,141</b>	<b>625,106</b>	<b>643,381</b>	<b>635,516</b>	<b>655,698</b>
<b>Expenditures:</b>										
Current:										
General government	50,671	44,126	64,639	76,127	67,434	92,062	102,031	110,974	102,426	97,061
Judicial administration	7,987	8,790	9,260	35,803	38,110	41,795	45,173	47,331	50,347	48,726
Public safety	101,523	115,912	123,202	94,979	102,278	105,634	108,565	119,208	118,073	115,488
Public works	38,817	56,124	57,162	80,813	64,497	46,959	48,161	60,370	56,146	59,574
Health and public assistance	50,987	61,601	68,140	78,221	83,451	91,535	93,397	95,159	91,648	89,682
Culture and recreation	46,032	40,849	40,149	40,081	40,290	42,995	48,397	51,071	52,248	51,708
Community development	22,549	16,945	17,073	8,048	12,716	13,552	11,158	10,745	9,996	10,851
Education	80,883	83,883	88,854	90,020	91,865	92,595	97,585	101,095	104,511	101,011
Debt Service:										
Principal retirement	32,066	31,177	32,450	32,731	47,407	37,880	35,872	40,280	48,082	46,052
Interest and other charges	18,056	17,460	15,998	16,800	18,061	18,802	18,917	20,488	23,966	23,782
Intergovernmental	7,807	7,892	8,061	6,140	-	-	-	-	-	-
Capital outlay	27,488	30,516	37,770	45,026	65,144	91,832	94,595	114,067	104,892	89,210
<b>Total Expenditures:</b>	<b>489,845</b>	<b>515,315</b>	<b>563,378</b>	<b>602,409</b>	<b>651,253</b>	<b>675,221</b>	<b>702,881</b>	<b>767,886</b>	<b>761,948</b>	<b>743,145</b>
(Deficiency) of revenues (under) expenditures	(25,058)	(30,064)	(53,503)	(49,113)	(82,833)	(61,080)	(77,755)	(124,327)	(126,432)	(87,447)
<b>Other Financing Sources (Uses):</b>										
Contingent liability - settlement	-	-	-	-	-	-	-	-	-	(2,850)
Proceeds of refunding bonds	-	-	31,123	83,219	30,389	-	15,490	-	16,000	-
Proceeds of capital leases	6,667	2,164	7,503	4,430	4,702	4,028	-	-	-	-
Proceeds of debt (general obligation bonds and notes)	25,470	58,179	47,895	66,685	70,640	-	121,705	145,863	55,280	156,208
Payment to refunded bonds escrow agent	-	(30,452)	(31,123)	(63,219)	(30,389)	-	(15,480)	-	(16,000)	-
Premium on bonds issued	-	-	-	389	2,259	-	2,070	5,765	1,707	3,633
Miscellaneous	-	-	(2,989)	(7)	-	(122)	66	62	-	-
Proceeds from sale or disposal of fixed assets	12,968	-	4,025	1,062	-	-	-	-	-	-
Operating transfers in	76,514	72,913	78,837	75,587	82,354	97,185	88,254	109,901	105,641	104,007
Operating transfers (out)	(64,718)	(64,813)	(70,137)	(65,587)	(72,354)	(88,142)	(78,176)	(98,653)	(85,425)	(90,953)
<b>Total other financing sources (uses)</b>	<b>56,901</b>	<b>35,811</b>	<b>84,734</b>	<b>85,559</b>	<b>87,801</b>	<b>15,749</b>	<b>134,919</b>	<b>161,758</b>	<b>67,203</b>	<b>170,045</b>
<b>Net change in fund balances</b>	<b>\$ 31,843</b>	<b>\$ (3,153)</b>	<b>\$ 11,231</b>	<b>\$ 36,448</b>	<b>\$ 5,168</b>	<b>\$ (45,331)</b>	<b>\$ 57,164</b>	<b>\$ 37,431</b>	<b>\$ (59,229)</b>	<b>\$ 82,598</b>
Debt service as a percentage of noncapital expenditures	11.06%	10.03%	9.22%	8.89%	11.56%	9.87%	9.01%	9.13%	10.40%	9.66%

(UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 8**  
**Program Revenues by Function**  
**Last Nine Fiscal Years**  
(Amounts in thousands)

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Governmental Activities:</b>										
General government	\$ 11,272	\$ 43,623	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,814	\$ 17,707	\$ 16,042	\$ 19,738	
Judicial administration	4,466	4,462	17,980	19,423	19,805	27,904	28,707	23,173	15,108	
Public safety	22,128	23,641	12,832	19,822	20,874	8,137	5,244	11,036	7,395	
Public works	31,670	34,082	40,783	28,440	30,438	44,769	47,407	48,156	55,539	
Health and public assistance	34,127	34,453	38,733	39,094	39,930	42,261	40,587	41,695	48,430	
Culture and recreation	6,097	10,225	10,221	9,958	9,603	9,855	10,359	9,149	9,505	
Community development	1,622	1,979	2,334	3,281	3,782	3,690	3,198	20,538	2,524	
Subtotal governmental activities program revenue	<u>111,582</u>	<u>152,985</u>	<u>136,808</u>	<u>145,530</u>	<u>148,814</u>	<u>153,030</u>	<u>153,159</u>	<u>169,788</u>	<u>158,235</u>	
<b>Business-type activities:</b>										
Water	59,389	64,039	61,126	61,002	74,277	70,411	74,418	74,958	79,349	
Wastewater	13,673	14,815	18,878	21,329	22,394	22,450	24,960	23,125	23,815	
Parking facilities	19,355	18,574	21,354	21,059	20,811	21,598	20,425	20,048	18,785	
Subtotal business-type activities program revenue	<u>81,417</u>	<u>87,228</u>	<u>101,158</u>	<u>103,390</u>	<u>117,582</u>	<u>114,460</u>	<u>119,801</u>	<u>118,131</u>	<u>121,049</u>	
Total primary government program revenues	<u><u>\$ 202,999</u></u>	<u><u>\$ 250,213</u></u>	<u><u>\$ 237,984</u></u>	<u><u>\$ 248,920</u></u>	<u><u>\$ 266,396</u></u>	<u><u>\$ 267,480</u></u>	<u><u>\$ 272,960</u></u>	<u><u>\$ 287,919</u></u>	<u><u>\$ 280,184</u></u>	

## Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Financial Trends Information**  
**Schedule 6**  
**Total Revenue by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Misc	Recovered Costs	Inter-Governmental Revenues	Total
2001	153,366	126,537	2,601	1,684	11,361	18,745	13,681	14,135	122,677	464,787
2002	159,512	127,262	2,700	1,541	11,247	18,312	12,337	10,008	133,332	476,251
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,691	8,408	156,637	625,106
2008	241,290	162,573	4,055	1,317	10,650	40,159	17,923	8,622	156,862	643,451
2009	252,004	157,926	4,012	1,260	8,332	40,345	12,911	8,952	149,774	635,516
2010	259,905	153,615	3,526	1,164	6,700	50,586	19,377	8,206	152,619	655,698
Change 2001-2010	69.5%	21.4%	35.6%	-30.9%	-41.0%	169.9%	41.6%	-41.9%	24.4%	41.1%

**City of Norfolk, Virginia**  
**Other Local Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
(Amounts in Thousands)

Fiscal Year	Sales and Use Taxes	Consumer's Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
2001	25,496	38,988	18,352	3,479	4,122	18,759	17,341	126,537
2002	25,267	37,922	18,644	3,554	4,280	19,288	18,307	127,262
2003	25,854	37,930	18,472	3,462	4,220	21,680	21,229	132,847
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,573
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926
2010	28,249	44,053	26,009	4,308	7,176	27,292	16,528	153,615
Change 2001-2010	10.8%	13.0%	41.7%	23.8%	74.1%	45.5%	-4.7%	21.4%

Note:

1. This table presents additional details on other local taxes presented in the Table above.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 1**  
**Assessed Valuations and Estimated Actual Values of Taxable Property**  
**Last Ten Years**  
(in thousands)

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
2001	8,458,281	1,040,929	228,874	9,728,084	16,119,540
2002	8,882,064	1,102,983	219,845	10,204,892	16,794,801
2003	9,356,760	1,085,027	300,481	10,742,268	17,864,127
2004	10,029,639	1,170,117	283,544	11,483,300	19,424,095
2005	10,960,812	1,167,673	310,519	12,439,004	21,576,347
2006	12,691,527	1,324,320	316,471	14,332,318	25,196,622
2007	15,607,512	1,375,798	322,971	17,306,281	27,820,206
2008	18,401,851	2,503,662	322,195	21,227,708	28,427,502
2009	19,397,795	2,031,277	266,709	21,695,781	29,928,632
2010	19,940,273	1,479,896	226,801	21,646,970	28,896,313

Notes:

1. Real property and personal property includes both general and public service corporations.
2. Other property includes machinery and tools, mobile homes, airplanes and boats.
3. Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.  
Property value information does not include property of public service corporations or vacant land.

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 2**  
**Direct Property Rates**  
**Last Ten Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Property tax rate per \$100 of assessed value:</b>										
Real property										
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11
Business improvement District	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.16
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.25
Mobile homes	1.40	1.40	1.40	1.40	1.40	1.35	1.27	1.11	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Assessed value of real property as a percent of fair market value:</b>										
As determined by the City Assessor										
As determined by the Commonwealth's Department of Taxation	100%	100%	100%	100%	100%	100%	100%	100%	100%	96%
	90%	88%	88%	86%	65%	76%	76%	93%	N/A	N/A

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2001 through 2010.
3. The most recent Virginia Assessment/Sales ratio study is for 2009

N/A - Not available

(UNAUDITED)

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 3**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2001				2010			
	Real Property Taxable Assessed Value	Percentage of Total Assessed Value	Rank	Real Property Taxable Assessed Value	Percentage of Total Assessed Value	Rank	Real Property Taxable Assessed Value	Percentage of Total Assessed Value
Virginia Power Co.	\$ 168,029,700	2	1.99%	\$ 250,544,353	1	1.26%		
MacArthur Shopping Center LLC (Taubman Co.)	145,782,600	3	1.72%	164,302,700	2	0.82%		
Old Dominion University Real Estate Foundation	-	-	-	146,219,200	3	0.73%		
Verizon Virginia, Inc.	-	-	-	137,765,205	4	0.69%		
Norfolk Southern Corporation	71,776,157	4	0.85%	114,940,468	5	0.58%		
Bank of America	64,580,070	6	0.76%	88,003,700	6	0.44%		
Ford Motor Company	47,082,650	8	0.56%	82,579,100	7	0.41%		
Cox Virginia Telecom	-	-	-	72,055,257	8	0.36%		
Military Circle Ltd. Partnership	69,832,800	5	0.83%	66,280,400	9	0.33%		
Dominion Tower Ltd. Partnership	47,757,700	7	0.56%	-	-	-		
Virginia Natural Gas, Inc.	40,061,470	9	0.47%	61,520,006	10	0.31%		
Bell Atlantic Virginia, Inc.	199,879,386	1	2.36%	-	-	-		
Norfolk Hotel Assoc. (Marriott)	33,370,600	10	0.39%	-	-	-		
Total	<u>\$ 888,153,333</u>	<u>10.50%</u>		<u>\$ 1,184,210,389</u>		<u>5.94%</u>		
Total Assessed Value	\$ 8,458,280,938			\$ 19,940,273,451				

Note:

1. Information obtained from the City's Real Estate Assessor's Office.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Revenue Capacity Information**  
**Schedule 4**  
**Property Tax Levy and Collections**  
**Last Ten Years**  
(in thousands)

Year	Total Tax Levy	Current Collections	Percentage of Current Collections to Tax Levy	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy
2001	164,289	151,921	92.47%	13,501	165,422	100.69%
2002	171,755	158,914	92.52%	12,883	171,797	100.02%
2003	179,220	164,482	91.78%	18,724	183,206	102.22%
2004	191,397	178,200	93.10%	15,821	194,021	101.37%
2005	209,202	191,254	91.42%	8,549	199,803	95.51%
2006	227,796	203,804	89.47%	8,526	212,330	93.21%
2007	254,703	239,288	93.95%	10,097	249,385	97.91%
2008	258,016	238,728	92.52%	14,905	253,633	98.30%
2009	261,535	244,947	93.66%	13,647	258,594	98.88%
2010	258,544	242,287	93.71%	14,429	256,716	99.29%

Notes:

1. Delinquent tax collections are reported in the year collected.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 1**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Amount in Thousands)

Fiscal Year	General Obligation Bonds *	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
<b>Governmental Activities</b>							
2001	353,917	2,755	-	356,672	1,524	6.98%	N/A
2002	348,296	2,297	-	350,593	1,501	7.30%	1.84
2003	361,656	1,726	-	363,382	1,554	7.45%	1.59
2004	398,606	1,110	-	399,716	1,699	7.18%	1.39
2005	421,008	250	-	421,258	1,792	7.25%	1.19
2006	382,773	239	-	383,012	1,604	8.21%	1.29
2007	469,498	227	-	469,725	1,992	7.10%	0.99
2008	571,138	2,000	-	573,138	2,438	6.29%	0.74
2009	577,936	1,000	-	578,936	2,435	N/A	0.66
2010	688,152	1,812	-	689,964	N/A	N/A	0.51
<b>Business Type Activities</b>							
2001	114,528	-	357,240	471,768	2,016	5.27%	N/A
2002	112,050	-	360,635	472,685	2,023	5.42%	0.55
2003	99,220	-	370,855	470,075	2,010	5.76%	0.58
2004	87,636	-	365,464	453,100	1,926	6.33%	0.62
2005	91,520	-	382,689	474,209	2,017	6.44%	0.60
2006	93,099	-	374,159	467,258	1,956	6.73%	0.65
2007	107,311	-	364,834	472,145	2,003	7.07%	0.65
2008	124,092	-	420,819	544,911	2,318	6.62%	0.58
2009	158,227	-	416,746	574,973	2,418	N/A	0.56
2010	199,620	-	409,158	608,778	N/A	N/A	0.55
<b>Total Primary Governmental Activities</b>							
2001	468,445	2,755	357,240	828,440	3,540	3.00%	N/A
2002	460,346	2,297	360,635	823,278	3,524	3.11%	1.10
2003	460,876	1,726	370,855	833,457	3,563	3.25%	1.02
2004	486,242	1,110	365,464	852,816	3,626	3.36%	0.98
2005	512,528	250	382,689	895,467	3,809	3.41%	0.88
2006	475,872	239	374,159	850,270	3,560	3.70%	0.94
2007	576,809	227	364,834	941,870	3,995	3.54%	0.82
2008	695,230	2,000	420,819	1,118,049	4,756	3.23%	0.66
2009	736,163	1,000	416,746	1,153,909	4,853	N/A	0.61
2010	887,772	1,812	409,158	1,298,742	N/A	N/A	0.53

Notes:

\* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000.  
Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenues pledged to support the bond's debt service. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

N/A - not available

1. Population is detailed in Debt Capacity Information Schedule 2.

(UNAUDITED)

**City of Norfolk, Virginia  
Debt Capacity Information  
Schedule 2  
Ratio of Net General Bonded Debt  
Total Assessed Value and Net Bonded Debt Per Capita  
Last Ten Years**

Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
2001	468,445	114,528	353,917	9,728,084	234,000	3.64%	1,512
2002	460,346	112,050	348,296	10,204,892	233,600	3.41%	1,491
2003	460,876	99,220	361,656	10,742,268	233,900	3.37%	1,546
2004	486,242	87,636	398,606	11,483,300	235,200	3.47%	1,695
2005	512,528	91,520	421,008	12,439,004	235,071	3.38%	1,791
2006	475,872	93,099	382,773	14,332,318	238,832	2.67%	1,603
2007	576,809	107,311	469,498	17,306,281	235,747	2.71%	1,992
2008	695,230	124,092	571,138	21,227,708	235,092	2.69%	2,429
2009	736,163	158,227	577,936	21,695,781	237,764	2.66%	2,431
2010	887,772	199,620	688,152	21,646,970	N/A	3.18%	N/A

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2010.

N/A - not available

**City of Norfolk, Virginia  
Debt Capacity Information  
Schedule 3  
Computation of Direct Bonded Debt  
June 30, 2009**

Jurisdiction	Net Bonded Debt Outstanding (in thousands)	% Applicable to Government	\$ Applicable to Government (in thousands)
Direct: City of Norfolk	\$ 688,152	100%	\$ 688,152

Notes:

1. Enterprise Funds are excluded.
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 4**  
**Legal Debt Margin**  
**June 30**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total assessed value of real property	\$ 8,458,260,638	\$ 8,862,063,788	\$ 9,356,759,552	\$ 10,029,638,801	\$ 10,980,812,421	\$ 12,001,527,668	\$ 15,498,207,804	\$ 16,401,651,060	\$ 16,395,789,387	\$ 19,940,273,451
Overall debt limitation - 10% of assessed valuation	845,820,094	888,206,379	935,675,065	1,002,063,880	1,096,081,242	1,269,152,767	1,549,620,760	1,840,185,107	1,839,578,939	1,994,027,345
Net debt applicable to debt limitation	471,745,246	463,645,661	464,176,270	469,541,678	514,905,063	478,487,462	579,224,191	697,450,254	738,173,200	889,558,676
Legal Debt Margin Within 10% Limitation	\$ 374,012,848	\$ 424,560,510	\$ 471,499,685	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 970,390,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669
Net debt percentage of 10% limitation	55.77%	52.20%	49.61%	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 5**  
**Revenue Bonds Debt Service Coverage**  
**Water Utility Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Available for Debt Service (1)		Operating Expenses Less Depreciation & Amortization (2)		Income Available for Debt Service		Debt Service			Coverage
	Principal	Interest	Total							
2001	\$ 64,459,300	\$ 29,732,203	\$ 34,727,097	\$ 4,680,000	\$ 13,411,636	\$ 18,091,636				1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180				1.83
2003	67,760,029	30,867,286	36,892,743	5,700,000	14,600,283	20,300,283				1.82
2004	64,366,942	36,623,654	27,743,288	5,955,000	14,336,043	20,291,043				1.37
2005	69,183,154	37,584,692	31,598,462	6,250,000	14,041,059	20,291,059				1.56
2006	78,788,158	37,086,776	41,701,382	6,580,000	14,827,960	21,407,960				1.95
2007	76,013,563	35,050,694	40,962,869	7,310,000	14,379,821	21,689,821				1.89
2008	78,730,024	39,559,202	39,170,822	7,665,000	14,022,200	21,687,200				1.81
2009	78,020,552	40,807,827	37,212,925	8,050,000	16,411,343	24,461,343				1.52
2010	82,606,020	37,278,349	45,329,671	9,420,000	15,929,680	25,349,680				1.79

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation and amortization.

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 6**  
**Revenue Bonds Debt Service Coverage**  
**Parking Facilities Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Available for Debt Service (1)		Operating Expenses Less Depreciation & Amortization (2)		Income Available for Debt Service		Debt Service			Coverage
	Principal (3)	Interest (3)	Total							
2001	\$ 17,246,291	\$ 5,706,458	\$ 11,539,833	\$ 1,285,000	\$ 4,357,493	\$ 5,642,493				2.05
2002	18,427,725	7,309,883	11,117,842	1,010,000	4,370,126	5,380,126				2.07
2003	18,879,428	7,481,301	11,398,127	1,080,000	4,305,825	5,385,825				2.12
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,232,717	5,387,717				2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463				1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035				2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423				2.01
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,456,598	6,391,598				1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117				1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135				1.29

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation and amortization.
3. Excludes subordinate debt service.

**City of Norfolk, Virginia**  
**Debt Capacity Information**  
**Schedule 7**  
**Revenue Bonds Debt Service Coverage**  
**Wastewater Utility Fund**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Available for Debt Service (1)		Operating Expenses Less Depreciation & Amortization (2)		Income Available for Debt Service		Debt Service			Coverage
	Principal	Interest	Total							
2010	\$ 24,122,430	\$ 11,282,865	\$ 12,839,565	\$ 425,000	\$ -	\$ 425,000				30.21

Notes:

1. Includes operating revenue, plus interest income not capitalized.
2. Includes operating expenses, less depreciation and amortization.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Debt Capacity**  
**Schedule 8**  
**Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt**  
**Last Ten Years**  
**to Total General Expenditures**

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2001	32,064,594	4,138,633	19,055,944	667,364	55,926,535	578,776,772	9.66%
2002	31,177,249	4,221,984	17,459,383	625,397	53,484,013	431,283,578	12.40%
2003	32,449,555	4,270,903	15,993,552	544,262	53,258,272	451,633,988	11.79%
2004	32,735,609	4,988,796	16,781,410	494,610	55,000,425	490,944,275	11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.78%
2008	40,259,954	5,011,098	18,661,266	235,154	64,167,472	574,581,092	11.17%
2009	47,607,092	1,755,630	22,345,114	86,970	71,794,806	584,533,217	12.28%
2010	45,496,455	1,529,811	22,898,993	4,448	69,929,707	567,371,918	12.33%

## Notes:

1. Total general expenditures include the expenditures of the general fund and debt service fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

**(UNAUDITED)**

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 1**  
**Population Statistics**  
**Last Ten Calendar Years**

Year	Population	Personal Income (000's)	Per Capita Personal Income	Civilian Labor Force Estimates	% Unemployed
2001	234,000	5,804,141	24,885	94,606	4.3
2002	233,600	6,090,818	25,597	98,883	5.5
2003	233,900	6,419,772	27,088	98,939	5.7
2004	235,200	6,786,186	28,684	99,029	5.5
2005	235,071	7,044,989	30,528	100,614	5.4
2006	238,832	7,513,420	31,459	97,533	4.1
2007	235,747	7,874,868	33,371	97,380	4.1
2008	235,092	8,462,734	36,065	101,457	5.3
2009	237,764	N/A	N/A	101,847	8.4
2010	N/A	N/A	N/A	N/A	N/A

Note:

1. Population from Weldon & Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2010.
2. Unemployment rate and civilian Labor Force from the Bureau of Labor Statistics 2009. Data not available for FY2010
3. Personal income, per capita personal income and civilian labor force estimates from U.S. Bureau of Economic Analysis. Data not available for 2009 or 2010
4. All data on an average annual calendar year.

N/A - Not available

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 2**  
**Ten Largest Employers**  
**In Norfolk Primary Metropolitan Statistical Area**  
**Current Year and Nine Years Ago**

Employer	Rank	
	2010	2001
U.S. Department of Defense	1	1
Norfolk City School Board	2	2
Sentara Healthcare	3	3
City of Norfolk	4	4
Old Dominion University, Norfolk	5	7
Children's Hospital of the King's Daughters	6	8
Norshipco	7	
Norfolk State University	8	10
Medical College of Hampton Roads	9	
Portfolio Recovery Association	10	
United States Postal Service		9
Bank of America		5
Ford Motor Company		6
Total Employment	93,314	89,413

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2010 is the quarter ended March 2010 as that is the most current data available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2010 total employment data was not available therefore 2009 data was used.
4. Each of the top 10 employers has 1000+ employees. The actual number of employees data for each employer was not available.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 3**  
**New Construction and Property Values**

Year	Residential Construction			Non-Residential Construction		Commercial Personal Property	Commercial Real Property	Individual Personal Property	Residential Personal Property	Nontaxable Property
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)					
2001	186	400	35,069	35	62,046	643,383	2,259,787	624,162	5,730,471	6,861,737
2002	290	462	44,498	53	51,451	678,095	2,337,440	642,454	6,121,946	7,014,866
2003	277	324	39,979	41	32,262	721,087	2,447,330	661,972	6,648,174	7,385,564
2004	506	601	75,801	71	14,658	727,413	2,620,673	722,212	7,428,994	7,924,803
2005	560	1,191	204,391	80	80,316	785,970	2,784,658	790,489	8,916,075	8,299,155
2006	531	1,058	133,053	60	165,989	805,696	3,050,029	833,858	11,532,778	8,974,261
2007	389	491	688,476	55	81,396	840,696	3,016,693	856,817	13,727,791	9,378,209
2008	277	815	101,212	35	102,714	1,016,218	3,391,457	760,331	13,215,299	10,044,197
2009	217	543	36,458	38	138,131	701,479	3,303,586	1,010,243	14,484,782	10,428,542
2010	193	554	58,800	35	104,922	699,636	4,114,271	993,397	12,553,492	10,535,517

Notes:

1. The source of nonresidential and residential construction is the City's planning department. Nonresidential construction includes commercial buildings. Public buildings, schools, public utility buildings and miscellaneous structures.
2. Property values are based on data supplied by the the City's Commissioner of the Revenue and the City Assessor. Real property is assessed at fair market value.
3. Property value information does not include property of public service corporations. Real property assessments shown do not include assessments for vacant land.

## (UNAUDITED)

**City of Norfolk, Virginia**  
**Demographic and Economic Information**  
**Schedule 4**  
**Annual Employment Average by Industry**  
**(in thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Goods-Producing Industries:</b>										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.1	6.3	6.2	5.7	6.1	6.1	6.1	6.2	6.0	4.9
Manufacturing	10.0	9.8	9.8	9.8	9.8	9.6	8.7	7.9	7.3	7.3
<b>Service-Providing Industries:</b>										
Wholesale trade	6.0	5.8	5.3	5.2	5.0	5.0	5.0	5.1	4.6	4.2
Retail trade	14.8	14.7	14.3	14.0	14.2	14.0	14.3	14.6	13.8	13.0
Transportation and warehousing	12.0	11.6	11.0	10.1	9.7	9.9	9.3	9.4	9.5	8.6
Utilities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	***
Information	4.0	4.1	4.2	4.0	4.2	4.0	3.5	3.7	3.4	2.8
Finance and insurance	7.5	7.4	6.9	6.9	7.1	6.7	6.0	6.6	6.6	5.7
Real estate and rental and leasing	2.9	2.8	2.7	2.8	2.7	2.8	2.9	2.9	2.7	2.7
Professional and technical services	7.1	7.3	8.2	8.1	10.2	10.1	10.2	10.7	11.3	11.6
Management of companies and enterprises	4.0	4.1	4.0	3.8	3.6	3.7	2.7	2.4	2.5	2.2
Administrative, support, and waste services	7.1	7.6	7.7	7.8	7.5	7.5	7.4	7.4	7.6	6.5
Educational services	13.7	14.1	14.4	14.5	14.7	15.2	15.5	15.6	16.4	16.6
Health care and social assistance	17.1	17.8	18.3	18.9	19.2	19.6	20.1	20.6	21.3	20.8
Arts, entertainment and recreation	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.4	2.4	2.2
Accommodation and food services	10.1	10.3	10.4	10.7	11.1	10.9	11.1	10.6	10.3	10.2
Public administration	15.4	15.5	15.7	15.1	12.3	12.1	12.2	12.1	13.7	14.1
Other services	4.7	4.5	4.1	4.1	4.2	4.3	4.1	4.0	3.9	3.7
Total (adjusted for rounding)	145.4	146.6	148.2	144.4	144.6	144.6	142.4	143.0	144.1	137.1

## Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. Asterisks indicate non-disclosable data.
4. This schedule includes data for the ten year period 2000 - 2009 as calendar year 2010 data was not available.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 1**  
**Full Time Equivalent (FTE) Positions by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>										
General government	488	494	438	396	457	450	477	264	481	438
Judicial administration	30	28	27	25	20	16	17	18	16	14
Public safety										
Police	837	858	857	875	858	839	1,031	887	861	878
Fire	478	485	490	491	507	499	508	508	641	639
Other	81	86	85	84	84	84	-	-	84	83
Public works	367	380	393	389	389	392	379	346	414	440
Health and public assistance	581	579	557	604	513	562	469	598	487	485
Culture and recreational	412	428	479	484	483	406	478	569	558	509
Community development	67	64	64	72	74	70	59	95	75	113
Business-type activities:										
Water	224	235	245	251	279	264	261	290	268	269
Wastewater	70	74	79	84	91	95	96	103	99	95
Parking facility	57	65	68	72	77	78	90	88	89	87
Total full-time equivalent positions	3,692	3,776	3,782	3,827	3,832	3,755	3,865	3,766	4,073	4,050

**Notes:**

1. Fiscal years 2000 through 2009's average FTE data obtained from City's human resources information system.

(UNAUDITED)

**City of Norfolk, Virginia**  
**Operating Information**  
**Schedule 2**  
**Operating Indicators by Function/Program**  
**Last Nine Fiscal Years**

<u>Function/Program</u>	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>Police:</b>										
Service calls	288,004	274,245	206,644	206,378	191,037	237,451	258,254	242,139	245,336	
Arrests	27,199	24,909	25,923	22,799	22,235	22,222	24,050	26,583	28,069	
Reports filed	34,587	35,116	34,087	34,167	29,600	31,986	31,220	32,477	31,487	
<b>Fire:</b>										
Incidences (fires, EMS)	39,621	41,484	38,509	39,605	40,337	31,266	41,212	39,714	40,234	
<b>Highways and Streets:</b>										
Streets resurfacing (miles)	120	115	131	83	77	70	80	66	69	
<b>Sanitation:</b>										
Total solid waste collected and disposed (tons)	97,749	101,604	105,079	104,247	99,131	97,143	93,799	92,333	100,480	
<b>Water Utilities:</b>										
Water delivered to water mains (gallons in thousands)	24,960,000	24,818,000	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000	22,974,000	22,666,500	
Total water consumption (gallons in thousands)	22,323,287	23,126,234	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000	21,293,000	21,280,000	
Percent of unmetered water	8.33%	8.81%	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%	6.11%	
Average daily delivery (gallons in thousands)	68,230	68,000	67,820	67,740	68,090	66,650	66,200	62,900	62,100	
Maximum daily pumpage (gallons in thousands)	84,730	81,820	77,960	81,470	83,640	83,800	82,000	79,000	76,400	
Minimum daily pumpage (gallons in thousands)	56,800	58,190	59,340	58,410	57,200	56,200	52,200	52,000	52,200	

## (UNAUDITED)

**City of Norfolk, Virginia  
Operating Information  
Schedule 3**  
**Capital Assets and Infrastructure Statistics by Function/Program**  
**Last Nine Fiscal Years**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Public Safety:										
Police Stations	2	2	2	2	3	3	3	3	3	
Fire										
Fire stations	15	15	15	15	14	14	14	14	14	
Paramedic units	10	10	10	11	11	11	11	12	12	
Transportation and Engineering:										
Streets (lane miles)	2,011	2,006	2,013	2,015	2,183	2,193	2,210	2,193	2,188	
Sidewalks (miles)	968	968	968	968	968	968	968	968	968	
Bridges	50	50	50	50	50	49	49	49	50	
Public Recreation:										
Parks:										
Acreage	587	588	589	590	591	587	586	587	587	
Regional parks	1	1	1	1	1	1	1	2	2	
Neighborhood parks	121	121	121	121	121	85	85	71	71	
Preserves and nature areas	1	1	1	1	1	1	1	1	1	
Nature education centers	3	3	3	3	3	1	1	1	1	
Playgrounds	45	45	45	45	45	79	123	100	101	
Hiking trails (miles)	7	8	9	10	11	1	2	2	2	
Recreation:										
Acreage	243	243	243	243	231	860	868	954	957	
Recreational and senior centers	24	23	26	22	22	16	19	25	30	
Swimming pools	4	4	4	6	6	6	8	6	6	
Tennis Courts	143	143	146	152	152	101	134	148	148	
Baseball/softball diamonds	36	36	36	36	36	63	99	86	86	
Football/soccer fields	18	18	18	18	18	47	65	49	49	
Field hockey	4	4	4	4	4	5	5	3	3	
Basketball courts	42	42	42	42	42	229	179	204	203	
Municipal beaches	3	3	3	3	3	3	3	3	3	
Public Services:										
Traffic Engineering:										
Traffic signals	289	291	294	299	299	283	287	284	301	
Traffic signs	9,376	9,825	10,021	6,044	7,936	7,363	6,752	4,436	4,272	
Street lights	31,594	31,502	31,694	31,721	29,888	30,200	30,583	30,653	30,717	
Water Utilities:										
Water fund capital assets (in thousands)	\$ 429,567	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655	\$ 436,488	\$ 437,973	\$ 442,304	
Wastewater fund capital assets (in thousands)	96,175	103,208	110,360	120,685	134,152	147,020	163,068	177,928	183,974	
Total water utilities assets (in thousands)	\$ 525,742	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675	\$ 599,556	\$ 615,901	\$ 626,278	
Water customer accounts	63,633	63,885	63,343	64,905	65,548	65,000	65,549	64,433	66,140	
Miles of water main in the system	815	817	817	817	825	827	829	832	835	
Municipal Golf:										
Golf courses	1	1	1	1	2	3	3	3	3	
Convention Center:										
Meeting rooms	4	4	4	7	7	8	8	8	8	
Exhibit space (square feet)	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	58,430	
Meeting/ballroom space (square feet)	5,230	5,230	5,230	9,700	9,700	9,700	9,700	9,700	9,700	
Parking Facilities:										
Parking lots/garages	30	30	28	28	28	21	23	23	26	
Parking meters	301	482	579	600	660	718	669	614	584	
Stormwater Management:										
Miles of storm sewers	351	351	351	351	351	357	357	357	357	
Education:										
High schools	5	5	5	5	5	5	5	5	5	
Middle schools	8	8	8	9	9	9	9	9	8	
Elementary schools	35	35	35	35	35	35	35	35	35	
Other educational facilities	13	13	13	11	11	11	11	9	5	

## **COMPLIANCE SECTION**

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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing  
Standards***

The Chairman and Members  
School Board for the City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the Statement of Budgetary Comparison – General Fund, of the School Board for the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia as of and for the year ended June 30, 2010, and have issued our report thereon dated January \_\_\_, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School Board for the City of Norfolk, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in the accompanying schedule of findings and responses. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board for the City of Norfolk, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School Board for the City of Norfolk Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the School Board for the City of Norfolk, Virginia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board for the City of Norfolk, Virginia, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

January \_\_, 2011

## SCHOOL BOARD FOR THE CITY OF NORFOLK, VIRGINIA

### Schedule of Findings and Responses

Year ended June 30, 2010

#### (1) Significant Deficiencies

##### (a) *Capital Asset Accounting – ( 10-1)*

The City of Norfolk finances the majority of major capital projects for the Norfolk Public Schools (the Schools). The Schools contract and manage the projects and maintain and use the assets in their operations. Historically, the City has recorded the original school buildings in its financial statements and the Schools have recorded renovations and building improvements. In 2010, the City and the Schools determined that the above funding arrangement, as well as a lack of clarity around the treatment of major renovations, had resulted in certain capital assets associated with two school renovations, which were completed over several years and placed in service in fiscal 2008, being recorded as capital assets by both the City and the Schools. It was also determined that while the majority of the funding for these renovations came from the City, the Schools also received State construction funds for a portion of the projects. Virginia law allows flexibility as to whether school buildings are recorded as capital assets by the school system or the related city, especially when school construction is financed with debt. Considering past practice, the City and the Schools have agreed that major renovations should be treated similar to original buildings and recorded as capital assets by the City. As a result, the net book value of the two renovations was removed from the Schools books and recorded by the City in 2010. The City code currently in force related to the treatment of school buildings was adopted prior to significant changes to both generally accepted accounting principles and related Virginia law. We recommend that the Schools work with the City to review the City code in light of the current accounting rules and state law.

##### (b) *Accounts Payable Cutoff – ( 10-2)*

As of June 30, 2010, the Schools did not maintain effective controls over the completeness and accuracy of accounts payable and accrued expenses. Specifically, controls over cut-off and completeness of accounts payable and accrued expenses were insufficient to ensure that invoices from certain vendors were properly evaluated at period end. We believe the deficiency resulted primarily from the departure of the Senior Director of Accounting and the resulting reassignment of tasks until the position was filled in September 2010. The Schools should ensure that proper cutoff procedures are implemented in the future.

#### (2) Management's Response to Significant Deficiencies

##### (a) *Capital Asset Accounting*

All building improvements for major School renovations will be recorded on the City's books in the future. Further, Schools and City management are aware of the potential for recording assets twice and will communicate to ensure that assets are recorded in the appropriate financial statements.

**SCHOOL BOARD FOR THE CITY OF NORFOLK, VIRGINIA**

Schedule of Findings and Responses

Year ended June 30, 2010

**(b) *Accounts Payable Cutoff***

The Management of the School Board acknowledges the need for a process to ensure that all transactions are recorded in the appropriate period and will address these issues in the next reporting period.